

WHOLESALE VERSUS RETAIL - A COMPARISON

USING ASGARD OFFERS A MORE EFFECTIVE WAY OF INVESTING

Advisers, when analysing the ASGARD range of services, quite often ask about the total cost to the investor of utilising our unique consolidation and reporting concept.

Cost to the investor comprises the ASGARD Management Fee, the Trustee Fee, the Expenses and the wholesale investment management cost of the underlying investment products selected by the investor.

ASGARD's view is that over time, the ongoing costs of utilising the ASGARD range of services may be no more than using the retail alternative after accounting for the

performance differential between wholesale and retail investment funds, ASGARD's sliding fee scale and the entry costs of switching between retail investments.

As this article will highlight, the performance differential can go quite some way towards offsetting the cost of ASGARD's fees and charges.

Whilst it is not our suggestion that the use of the ASGARD Services should be marketed on price, cost is a frequently raised issue and it is therefore appropriate for all the elements of cost to be disclosed.

EXTRACT FROM COMPARISON CONDUCTED BY ASSIRT

ASGARD has employed the services of ASSIRT to provide a comparison between wholesale and retail funds performance. The comparison will be updated and available to you every six months. The following is an extract from the ASSIRT report:

Overview

At the request of ASGARD, we have examined a list of wholesale funds which have comparable retail products. We then examined the difference in performance between these funds over a 1 and 3 year time frame to 30 June 1998 (see table overleaf).

We found that in most cases the wholesale funds out performed their retail counterparts. We also found that in some cases, the performance differential goes beyond the difference in fees.

Management Fees

The main factor explaining the difference is a lower management fee on wholesale products.

The management fee is fully disclosed in the offer document (in the case of retail products) and the Product Brochures provided by ASGARD (in the case of the wholesale products on ASGARD's Available Products List).

The difference in management fee tends to be in the order of 0.5%-1%.

Expenses

Retail products tend to have an amount set to cover expenses such as prospectus and investor communication costs. These costs tend to be minimal in the case of wholesale products. The difference in this charge would tend to be in the order of 0.2%-0.5%.

Cash Flow

Each of the funds selected are comparable in terms of their underlying portfolios. Where retail and wholesale pools are held in two distinct portfolios, this can give rise to differences in cash flows and timing of investments. These factors contribute to performance differentials which may be either positive or negative, depending on the movement in the underlying investment market over the period.

Conclusion

Our analysis found that the wholesale funds generally perform better than their retail counterparts. This is largely explained by the differential in management fees and recoverable expenses and is consistent with similar analyses conducted in previous years.

The reasons behind performance differentials will, however, vary from manager to manager and care should be taken in making generalisations.

Source: ASSIRT Pty Ltd.



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WHOLESALE VERSUS RETAIL COMPARISON

1 AND 3 YEAR RETURNS TO 30 JUNE 1998

FUND NAME	CODE	1 YEAR % p.a.			3 YEARS % p.a.			FUND NAME	CODE
		Wholesale	Retail	Differential	Wholesale	Retail	Differential		
MANAGED FUNDS - WHOLESALE					MANAGED FUNDS - RETAIL				
Advance Life Wholesale Super - Managed	AWFM	6.0	5.1	0.9	11.7	10.7	1.0	Advance Ret Personal Super - Managed	ALRPM
ANZ Super Pool Growth Fund	ANZSPGF	13.1	11.1	1.9	13.8	11.8	2.0	ANZ ADF Growth	ANZADFG
Barclays Super Funds - Div Growth Fund	BAPPF	9.8	9.2	0.5	11.8	11.2	0.6	Barclays ADF - Growth	BADFG
BT Managed Fund	BTMF	6.0	5.6	0.4	11.5	11.0	0.5	BT Lump Sum Fund - Investment	BTLSFIU
County SCT Growth Fund	CNASUTGF	10.0	8.8	1.2	13.5	12.3	1.2	County NatWest Aust Growth ADF	CNAGADF
HSBC Growth Pooled Super Trust	WSUT	10.5	9.5	1.0	13.0	12.2	0.8	HSBC (Wardley) Cap Growth ADF	WASSG
L&G Super Managed Fund No 2	L&GSMF	10.1	8.0	2.1	13.5	11.0	2.4	L&G Rollover - Managed	LGRIGBM
MLC Balanced Fund	MLCSIF	9.3	8.3	1.0	12.6	11.4	1.3	MLC DA - Balanced	MLCDAB
Mercantile Mutual Managed Growth	MMMLMG	12.8	11.9	0.9	15.5	14.3	1.2	MML DA Managed	MMDAMG
NAFM Pooled Sup Bond - Balanced	NAFMPPF	6.9	6.0	0.9	12.3	11.3	1.0	NAFM R/O - Balanced	NALRM
Mercury Balanced PSF	PWPF	10.5	9.5	1.0	12.9	12.3	0.6	PW Mercury Retirement Fund - Bal	PWSTEM
Prudential Balanced Investment Portfolio	PULF	5.3	3.0	2.3	11.0	10.6	0.5	Pru R/O - Gold Seal Linked A/C	PRGSL
Rothschild FA SIT	RFASIT	8.7	8.5	0.2	13.2	11.8	1.4	Rothschild FA Super Trust Inv	RFASIT
Westpac Corp Super Balanced	WGSCG	9.9	10.3	-0.4	12.5	12.1	0.4	Westpac ADF Capital Growth	WPADFCG
Zurich Managed Growth Fund	ZILF	12.4	11.6	0.8	14.4	13.4	1.0	Zurich RO - Managed	ZDAMF
Average		9.4	8.4	1.0	12.9	11.8	1.1		
CAPITAL STABLE FUNDS - WHOLESALE					CAPITAL STABLE FUNDS - RETAIL				
Barclays Super Funds - Div Stable	BSITCSF	6.6	6.1	0.5	8.4	7.8	0.6	BZW ADF - Capital Stable	BADFHI
BT Capital Stable Fund	BTCSF	6.4	5.7	0.7	10.4	9.9	0.5	BT Super Trust Capital Stable	BTSTCS
County SCT - Protected Growth June	CNASUTCS	4.2	1.9	2.3	9.1	7.4	1.7	County ADF Protected Grwth Fd	CNADFCS
HSBC Capital Stable PST	WCSPST	8.6	7.2	1.4	10.2	8.9	1.3	HSBC Capital Stable ADF	WASSCS
L & G Supermanagement Stable Fund	L&GSCSF	7.2	5.3	1.8	9.7	7.9	1.7	L & G Rollover Stable	LGRIGS
Mercantile Mutual Cap Stable	MMMLCS	9.0	8.0	1.1	11.1	9.5	1.5	MML 100% DA - Capital Stable	MMLDA100
NAFM Pooled Super Bond - Cap Stable	NAFMCS	6.8	5.8	1.0	9.4	8.4	1.0	NAFM R/O - Capital Stable	NALRCS
Prudential Capital Safe Invest Portfolio	PCSF	5.6	3.8	1.8	9.7	8.2	1.4	Pru Super Bd - Cap Stable	PSBCSF
Westpac Corporate Super Managed Stable	WGSMS	8.0	7.0	1.0	9.7	8.4	1.3	Westpac ADF Managed Stable	WPADFMS
Average		6.9	5.7	1.3	9.7	8.5	1.2		

1. Investment performance is calculated on month end, after tax unit prices and net crediting rates provided by fund managers.
2. Returns do not allow for any entry or exit fees.
3. Performance numbers may not reconcile due to rounding.
4. Past performance is no guarantee of future returns.

Source: ASSIRT Pty Ltd.