

When style counts

Not all fund managers invest the same way. There is a menu of investment styles from which they choose their preferred method. So what are the differences between these investment strategies?

Index investing

Also known as 'passive' investing, this involves investing in a portfolio that holds the same stocks and in the same proportion as that of a particular market index. The aim is to match the performance of that index on a before-fees basis.

Active investing

Active investors hold the viewpoint that through research it is possible to uncover information that indicates whether a specific stock or investment theme is likely to outperform the wider market in the near term. An active manager's aim is usually to beat an associated benchmark index by a set amount over a prescribed period of time.

Two main active investment styles are growth and value investing:

1. **Growth investing**

Growth managers research companies and decide to invest in areas that they believe will have a higher rate of earnings growth over a particular timeframe. The decision to invest is made on this basis, even if that stock's price may currently seem expensive.

2. **Value investing**

Also known as 'bottom up' investing because a fund manager aims to buy quality stocks at low prices and later sell them at higher prices.

Many factors can affect the price of a stock, and just because an investment is considered cheap does not mean it lacks intrinsic investment value. It is possible to find quality investments at reasonable prices.

Speak to your Neil White Financial Services adviser about what investment style would be appropriate to your portfolio.

Neil White Financial Services are dedicated to providing you with information so that you can make the decision that is right for you. We invite you contact us on (03) 9607 5300 or email info@neilwhite.com.au to make an appointment today.

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