

New fund setup guide

5 steps to creating a new fund in MySF Manager

Step 1- Create a new fund file

There are 4 sections to complete to create a new fund. Information about each of these sections is shown below. Click on the 'Create Fund' button near the bottom of the Fund Selection screen and the wizard will guide you through each section.

1 – The first section contains three separate screens. On the first screen you will be asked to enter a name for the fund, select the type of fund and enter other details.

On the second screen you will be asked to enter the registered delivery and postal addresses of the fund.

The third screen is used to define two important business cards, the fund's tax agent and the fund's auditor. Business cards are discussed in step 3 of this document.

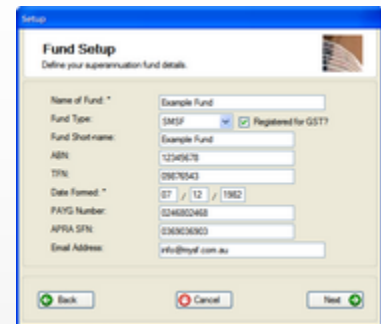
2 – The second step is to add bank accounts. If you are worried about the security of the data on your computer then please enter account numbers that are slightly different to your account in the real world.

3 – The third step of the setup sequence is the addition of members. You must add at least one member to the fund on this screen before proceeding. Please note that you can also add additional members later.

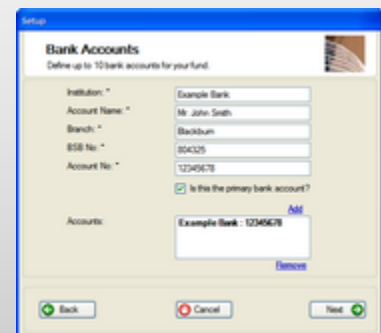
4 – The fourth part is to assign data folders for the fund file, attachments and backups. In most cases it is best to use the default directories defined by MySF Manager, which are shown when this screen loads.

On the final screen of the setup process you will be asked to enter the start and end dates of the current financial year and also specify a username and password for the fund.

When you click on the 'Ok' button, MySF Manager will create the chart of accounts and tax rules for your fund based on the information entered so far.



Basic details of your new fund.



MySF Manager allows up to 10 bank accounts defined per fund.



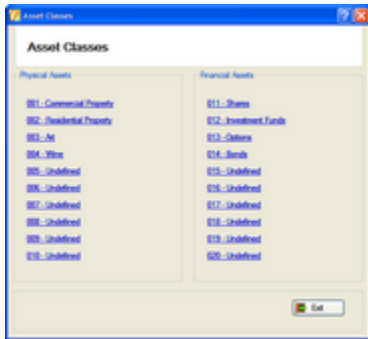
MySF Manager will automatically create the chart of accounts and tax rules for your new fund.

Step 2- Define asset classes

Asset classes are used to group similar investments together. For example shares, investment funds, options, art, real estate are all possible asset classes.

Additionally, financial assets with the same code in the same asset class are assumed to be holdings in the same company. For example, several parcels of XYZ within the 'Shares' asset class are assumed to represent your complete holding within XYZ. (For more information on what parcels are please see *"What are parcels and why are they tracked separately in MySF Manager"* at the end of this document.)

Go to Configuration > Asset Classes and have a look at the asset classes already defined. If the list shown is an adequate representation of your investments then please continue to step 3 below. If your fund invests in asset classes not shown here (for example: bonds) then please add those additional asset classes.



Add up to 20 different asset classes to classify assets in your fund.

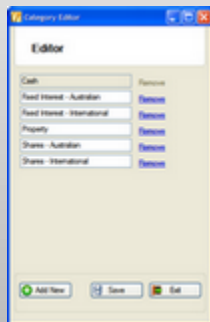
Step 3- Set up asset allocation categories

The allocation categories of a super fund may include domestic shares, foreign shares, bonds, CFDs, cash, precious metals, commercial real estate etc.

Note that 'managed fund' is not an asset allocation category as managed funds simply invest the money on your behalf in equities, real estate, bonds, precious metals etc. which are the actual asset allocation categories.

In other words, allocation categories describe the categories of investments to which you have some exposure through either direct investments (such as buying shares) or through indirect investments (such as a mutual fund investing in bonds on your behalf).

Go to Configuration > Asset Allocation Categories and this screen will show you the current list of asset allocation categories. You may edit this list to ensure that it shows the full range of asset allocation categories in which your fund invests.



You can customise the list of asset allocation categories to suit your fund.

Step 4- Enter historical data

This step requires that you enter information regarding your fund's state as at the start of the current financial year for your fund.

There are two ways in which this can be performed. You can either enter all of the information in sequence, or you may enter portfolio data as at the start of the current financial year.

The first of these options, entering information in sequence, is likely to take much longer, but may be needed if you do not have sufficient information available about your fund's current holdings.

Note that as you add assets, MySF Manager will ask you if you would like to add a business card to represent particular companies. You should usually click 'Yes'. You may add additional business cards manually via the Configuration > Business Cards screen.

Option 1: Enter information in sequence

Please go to Configuration > Settings and change the 'Current financial year' on the Financial tab back to the first financial year of the funds existence.

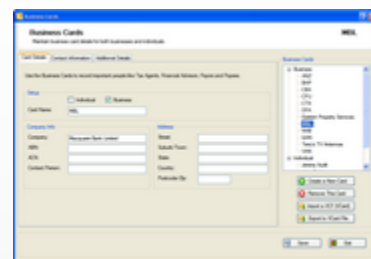
Next, record each event in sequence for that financial year. After entering all of the information for that financial year please go to Superfund Administration > Start Rollover and complete the rollover process. The rollover process distributes profits to members and moves the fund forward to the next financial year.

Repeat the above for each financial year until you arrive at the current year.

Note that if you take the above approach then there is no need to enter opening balances for individual assets.

Option 2: Enter portfolio data as at the start of the current financial year

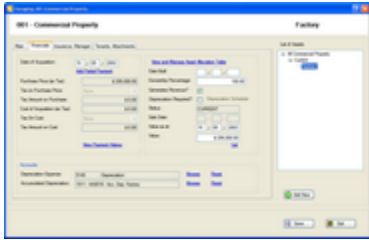
In this approach you will need to either add or import each parcel of assets as they were at the beginning of the financial year and then post opening balances.



Add business cards to define fund contacts and relationships.



The management of financial assets is greatly simplified in MySF Manager.



Physical assets can have depreciation schedules and tenants.

You should use the Assets > Buy and Manage section > Shares (or other asset class) screen to add the assets. Click on the Add New button in the bottom right hand corner to start adding an asset. All historical assets, including dividend reinvestments should be added as Purchase Type: New Purchase. Enter the rest of the data as follows.

Purchase date: the date of acquisition for this asset, whether through purchase or reinvestment.

Cost per unit: the cost base per unit of this parcel. For more information please see "What does 'cost base' mean?" at the end of this document.

Number of units: the number of units remaining in this parcel as at the start of the financial year, net of any past sales and corporate actions such as splits.

You should not enter any brokerage or tax on brokerage for historical assets as any capitalised costs will already be reflected in the cost base entered into the 'Cost per unit' field above.

When you have finished entering the information please click on the Add button in the bottom right. You will be asked if you wish to create opening balances for this asset now. You should click 'No' because it is generally easier to post all opening balances at once.



The assets section shows all the accounts that are considered assets, such as those representing investments.

Step 5- Load opening balances

Go to the Cash and Bank Accounts > Load Opening Balances screen. This screen shows all of the asset, liability and member accounts in three sections.

The asset accounts show the bank accounts, investments and other accounts considered to be assets in accounting. All of the assets that have been added will be represented by an account, which will have a tick-box next to it. Tick these boxes and MySF Manager will fill in the appropriate amount of opening balances for the assets. You should also type in the balance of each bank account as at the very beginning of this financial year. If the balance of the bank account was positive at the start of the financial year then enter the amount under the 'Debit' column, otherwise enter it in the 'Credit' column. (Note that your bank statement may show positive amounts as a credit. This is because your bank account is a liability for the bank and not an asset. They are simply showing you your account from their point of view.)



The liability section shows all the accounts that represent debts, taxes owed and carried forward losses.

Liability accounts generally represent debts and taxes owed as well as carried forward losses. Any amounts owed should be entered under the 'Credit' column. Carried forward losses are an exception and should be entered under 'Debit'.

Members' equity is what would be left over if you sold all of your assets and discharged (paid-back) all of your liabilities. If you have no liabilities then your assets and equity will be the same. There will be several members' accounts shown for each member of the fund. You should split the total equity (assets – liabilities) among the members proportionately to their holdings in the fund. The equity amount of each member should be entered into the 'Credit' column on the members section.

If you are unsure about which members' (equity) account you should use then please enter all of the equity for each member under 'Opening Balances, Preserved – Taxable' account for that member.

After entering all of the information you should find that the 'Total:' at the bottom of the screen shows the same amount in the 'Debit' and 'Credit' columns. This means that you are ready to process the opening balance. Click on the Process button to create and post the transaction.

Ready to go!

At this point you have completed the setup and initial configuration of your new fund. Please continue by recording current year activity such as purchases, sales, dividends etc.

Additional information

What does 'cost base' mean?

Cost base is defined as the cost of the asset plus any capitalised acquisition costs such as brokerage. The cost base of an asset may be impacted by capital returns (or other tax deferred income) as well as some corporate actions such as splits. The cost base of the asset is used to calculate capital gains when a sale occurs.

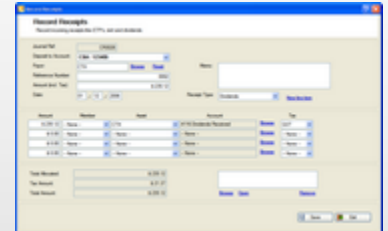
Example 1 –Cost base and capital gain:

If you buy 100 XYZ shares for \$1.00 each (no brokerage) then the cost base is \$1.00 per unit. If you then sell these 100 XYZ shares for \$1.50 each then your capital gain is: $(\$1.50 - \$1.00) \times 100 = \$50.00$

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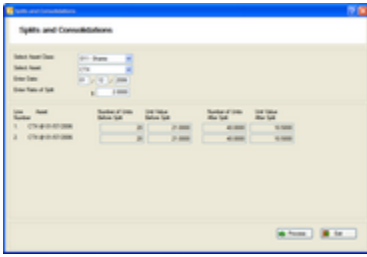
There are several member accounts for each member in the fund.



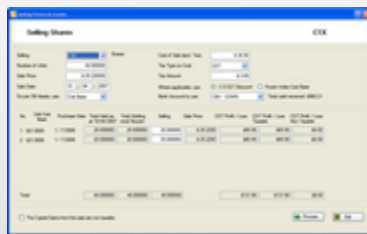
The cash payments and receipts screens can be used to record new transactions or view and edit past ones.



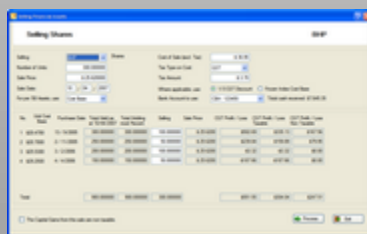
Brokerage is normally capitalised, meaning that it is added to the cost base of the asset.



Share splits and consolidations, bonus unit issues, scrip for scrip rollovers, capital returns and demergers are easy to process in MySF Manager.



MySF Manager tracks each parcel separately to ensure accuracy in capital gain calculations.



Taxable / non-taxable gains are calculated as you type.

Example 2 – The impact of brokerage:

If you buy 100 XYZ shares for \$1.00 each and pay \$20.00 in brokerage then the cost base is $[(\$1.00 \times 100) + \$20.00] / 100 = \$1.20$ per unit. If you then sell these 100 XYZ shares for \$1.50 then your capital gain is: $(\$1.50 - \$1.20) \times 100 = \$30.00$

Example 3 – The impact of capital returns:

If you buy 100 XYZ shares for \$1.00 each and pay \$20.00 in brokerage then the cost base is $[(\$1.00 \times 100) + \$20.00] / 100 = \$1.20$ per unit. If you then receive a capital return of \$0.05 from the company then the cost base falls to \$1.15. If you then sell 60 XYZ shares for \$1.50 each then your capital gain is: $(\$1.50 - \$1.15) \times 60 = \$21.00$. The cost base of the remaining holding is \$1.15 each, or a total of $\$1.15 \times 40 = \46.00 .

Example 4 – The impact of a 2 for 1 split:

If you buy 100 XYZ shares for \$1.00 each and pay \$20.00 in brokerage then the cost base is $[(\$1.00 \times 100) + \$20.00] / 100 = \$1.20$ per unit. If XYZ then undergoes a 2 for 1 split you end up with $(2/1) \times 100 = 200$ XYZ shares. However, the cost base per unit will decrease so that the cost base total stays the same. In other words, cost base per unit for XYZ after the 2 for 1 split will be $(1/2) \times \$1.20 = \0.60 .

What are 'parcels' and why are they tracked separately in MySF Manager?

A parcel of shares is a group of shares in a given company purchased on a specific date at a specific price. For example, a purchase of 1,500 XYZ shares for \$10.00 each on 15th of March 2006 would be one parcel and the purchase of 1,250 XYZ shares for \$14.00 each on the 1st of February 2007 would be another parcel. MySF Manager recognises that these parcels together form your holding of XYZ, but it also continues to track them separately.

The most important reason for the separate tracking of various parcels of shares can be found in the calculation of capital gains and, more importantly, the tax effects of capital gains and losses.

When selling shares you can choose how many units of each parcel you wish to sell. For example, if you were selling 1,000 units in XYZ for \$13.00 each then you could allocate all of these units as sold from the first parcel above which would result in an income of $(\$13.00 \times 1,000 =)\$13,000.00$ and a capital gain of $((\$13.00 - \$10.00) \times 1,000 =) \$3,000.00$ which is then taxable.

Alternatively, you could allocate all of these units as sold from the second parcel which would also result in an income of \$13,000.00 and a capital loss of $((\$13.00 - \$14.00) \times 1,000 =) - \$1,000.00$ which may be used to reduce tax liability.

Cost averaging, which is done by almost all other investment portfolio and fund management products, simply records an income of \$13,000.00 as before, with a capital gain of $((\$13.00 - \$11.82) \times 1,000 =) \$1,181.82$ which is taxable.

Same income, with very different after-tax results! MySF Manager can give you the control to decide what you sell so that you achieve the optimal outcome overall.