curate
THE ART OF INVESTING

The impact of income distributions on the unit price of a unit trust fund

When an income distribution is paid, the unit price of a fund adjusts downward in the short term. Because income funds generate most of their return from income rather than capital growth, this price adjustment can appear more noticeable than in growth funds (such as equity funds or balanced funds).

Importantly, this price movement does not reflect poor performance, increased volatility or a permanent loss of capital. It is simply a structural feature of unit trust funds: the value has been paid out to investors as an income/cash distribution, rather than remaining in the unit price.

The following sections cover these points in more detail:

How unit trust prices are calculated

Most unit trust funds declare income distributions at regular intervals, such as monthly or quarterly. The income distribution frequency and amount (reflected in cents per unit (CPU) are disclosed on the fund's Minimum Disclosure Document (MDD).

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The effect of reinvesting income vs receiving it as cash

Investors in unit trusts may choose to reinvest their income distributions, thereby acquiring additional units in the fund and benefiting from compounding over time. If an investor opts to reinvest their income distribution, the number of units held increases accordingly.

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An illustrative example

The Curate Momentum Enhanced Yield Fund distributes monthly income to investors. Income is declared on the last day of each month and paid out to investors the following business day.

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Why this impact is most noticeable in income funds

Unit price declines are most notable in income-focused funds, as most of their total return comes from the accrued income distribution rather than capital growth.

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When Curate income funds declare distributions and when price adjustments occur

The Curate income funds distribute income monthly or quarterly.

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