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An Overview of Funds

What is an investment fund?

Broadly speaking, a fund is a pool of money set aside for a specific purpose.

Investment funds bring together multiple investors who invest their money together. Some investment funds have thousands of investors – for example, pension funds or insurance funds – others have very few investors. The investment fund buys assets (property, shares or companies) according to a set investment objective, meaning investors will know what their money is being invested in.

Investment funds can be structured in a number of different ways to achieve different objectives.

Jersey offers a range of investment fund structuring options such as partnerships, companies and unit trusts. Jersey's legal and regulatory framework caters for a broad range of investor and promoter requirements making Jersey an attractive location to set up – from seed or start-up funds (such as venture capital funds), to more mature funds.

Pooling of investor money

Investors in investment funds 'pool' their money, that is, they invest it together as one large amount. Investors own a proportion of the entire value of the fund – they do not own the fund's assets directly. There are significant advantages to pooling:

- Investors gain access to professional managers who will invest their money for them at a more reasonable cost per investor than would be the case if investing on their own.

- Through such investment professionals and because of the larger 'pooled' amount of money available for investment, investors will have access to markets and investment products which might otherwise not be accessible, which may bring greater returns.

Investment funds are a great way of expanding your investments as funds can invest in a greater variety of assets. For example, an investor could put their money into a fund which splits its investments into shares, bonds, commodities such as gold, oil and gas, and real estate with the balance kept in a high interest account.

Asset classes

Jersey specialises in 'alternative investment' funds, including real estate, private equity venture capital and hedge funds. They are known as 'alternative' compared to more conventional funds that invest in bonds, equities and cash. Alternative investment funds are usually structured as companies, limited partnerships or unit trusts.

The number of assets and number of investors in the fund will determine how it is regulated in Jersey. But, if a fund needs to be regulated by the Jersey Financial Services Commission (JFSC), Jersey private funds and Jersey expert funds are most commonly chosen.

Real Estate
Jersey is one of the best-known jurisdictions for structuring real estate funds. Jersey funds hold portfolios of real estate assets situated across the world, from UK student accommodation and iconic landmark buildings, to European shopping centres and Asian office complexes.

Private Equity
Private equity is an alternative investment asset class. It typically refers to investment by either funds or individuals into private companies. Private equity funds may also be involved in the buyouts of public companies.

A typical private equity fund will be put together as a Jersey limited partnership where investors will commit money and become limited partners who will share in the profits of the partnership. The general partner would manage the limited partnership.

Example of a limited partnership:
One example is a limited partnership which invests in a number of companies in South Africa. The fund's portfolio of companies includes a department store, a cement manufacturer and a food store.

Venture

Venture capital funds typically invest in young or entrepreneurial companies. An example of such a fund is one which is structured as a private equity fund that focusses on Chinese and Indian companies in the technology and digital space. Another example is a venture fund which invests in the digital gaming sector.

Infrastructure

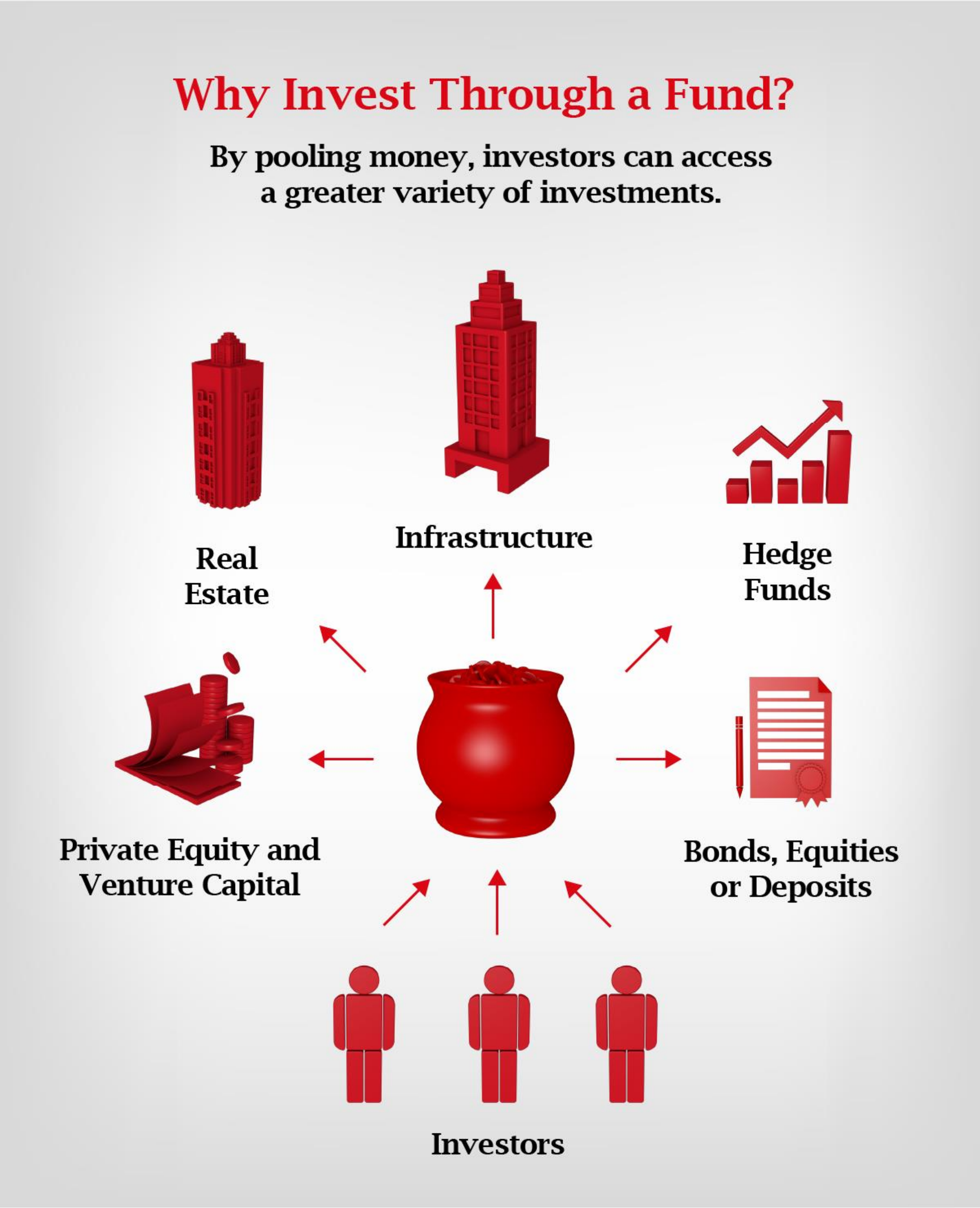
Infrastructure funds are as they sound; they offer investment opportunities into infrastructure projects such as roads, airports and rail facilities. Infrastructure funds are usually structured as limited partnerships and look very similar to private equity funds, although they are also much larger because the size of the projects they invest in are often enormous. One such fund is a pan-European infrastructure fund which invests in motorways in Germany, ports in the Netherlands and airports in the UK.

Debt

Debt funds generate returns from their investors' money by investing in bonds or deposits of various kinds, such as treasury bills, corporate bonds, government securities and other debt securities in return for a fixed rate of income. A bond is like a certificate of deposit that is issued by the borrower to the lender. These terms basically mean that they lend money and earn interest on the money they have lent.

Hedge Funds

A hedge fund is an investment fund that pools capital from sophisticated or institutional investors and invests in a variety of assets, often with complicated portfolio-construction and risk management techniques. They often focus on liquid investments - an investment which can easily be converted to cash - that can be sold easily and are usually open-ended, meaning that shares can be bought or sold at regular intervals.


Why Invest Through a Fund?
By pooling money, investors can access a greater variety of investments.
Real Estate
Infrastructure
Hedge Funds
Private Equity and Venture Capital
Bonds, Equities or Deposits
Investors