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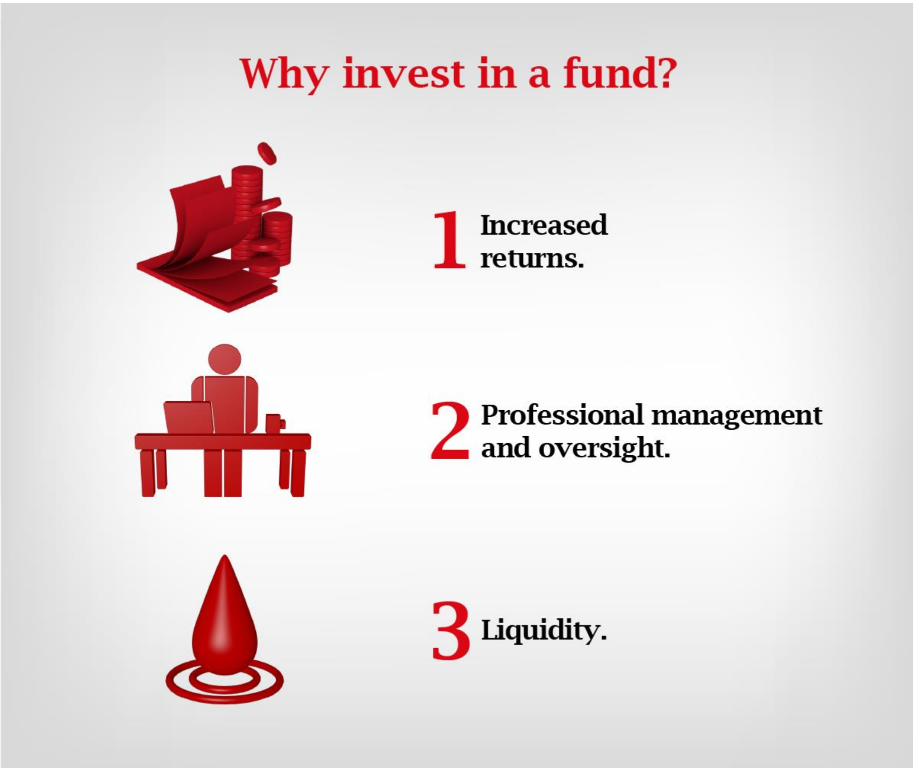
Investing in a Fund

Why invest in a fund?

The point of putting your money into an investment fund is that, at least theoretically, you have the chance to increase the return you would get when compared to putting your money in a deposit account with a high street bank or building society or invested the money yourself.

In order to maximise returns, investors may have limited access to their money for a certain period while it is invested in the fund. The benefits of this can be enormous with investors hoping to gain back the capital they invested and/or receive a dividend or share of the profits made by the investment fund at fairly regular intervals.



How do you invest in a fund?

Most banks, investment firms, trust companies and financial planning firms offer a variety of online fund platforms which you can invest in. You can choose how involved you want to be in selecting the investments and you can decide how much money you want to invest. It can be a one-off investment, or you can invest an amount every month.

Who can invest in a fund?

It depends on the qualification of the fund. Funds that are available to individuals are called retail funds. Anyone can invest in a retail fund. You can be investing for yourself, someone else or as an organisation.

Some funds are only available to professional investors. This means that institutional investors and/or sophisticated investors can invest in a wider range of funds. Often the types of fund will determine what requirements investors need to fulfil to be able to invest in them depending on their experience, the amount of money they have to invest and their net worth.

What are the common fund entities?

Company

A company is a legally incorporated body that issues shares to investors. A company has the flexibility to issue shares in differing classes, with differing rights, such as the ability to vote. This flexibility is why companies are frequently used for fund structures. In addition, as a company is legally separate from its shareholders, the shareholders have no responsibility for the company's liabilities. The company is operated by its directors, collectively known as the 'board'. The directors must operate the company in a responsible manner and in line with its goals. If directors are reckless or negligent, they could be held personally responsible for a company's liabilities.

Limited partnership

As opposed to a company, most types of limited partnership have no separate legal personality, which means that they cannot directly enter into legal contracts and have no right to sue or be sued. As a result of this they need an entity to manage the partnership's affairs and to enter into relevant contracts. The entity that manages a limited partnership is known as a general partner. Investors in limited partnerships are known as limited partners. There is no limit on the number of limited partners.

A limited partnership is used for a number of different purposes and is particularly popular with the private equity/venture capital sector. They are often chosen because they are ‘tax transparent’ with gains and losses attributed to the investors rather than the partnership. This information will be used when submitting any relevant tax returns.

Unit trust

Unlike a company, a unit trust is not a separate legal entity. The assets of a unit trust are held by its trustee on trust for the unit holders. The unit holders hold units in the unit trust, like shareholders holding shares in a company. The trustee is the legal owner of the assets, whereas the unitholders will be the beneficial owners of those assets. This is different from the position of a company where shareholders have no direct ownership interest in the company’s assets.

Closed-ended funds and open-ended funds

Closed-ended funds	Open-ended funds
Usually raise a fixed amount	More commonly associated with the hedge and retail sectors
Last a specific amount of time	Can be invested in at anytime
Cannot be withdrawn from at the request of the investor	Allow investors to withdraw their money when they wish

Why Jersey?

- Jersey offers a wide range of investment vehicles and fund regulatory options to provide funds and fund managers the right structure.
- Jersey is a centre of excellence for alternative investment funds.
- Alternative investment classes include hedge, real estate and private equity.
- Jersey is well understood by investors.

- Our Island offers investors tax neutrality, substance, a strong legal framework and appropriate regulation.

- Jersey has more than 13,700 skilled finance workers from fund administrators to depositaries, lawyers and non-executive directors and can offer significant depth of experience across the alternative asset classes.

- There are more than 130 fund managers on the Island, offering risk and portfolio management expertise.

- At the end of September 2019, the net asset value (NAV) – i.e. the value of a fund's assets less the amount of its liabilities, such as loans and debts – of regulated funds under administration in Jersey was £342bn.

- Jersey is home to 884 regulated collective investment funds (as at 30 September 2019).