

Unit trusts

Participating in a wider range of investments

Unit trusts are a collective investment that allows you to participate in a wider range of investments than can normally be achieved on your own with smaller sums of money. Pooling your money with others also reduces the risk.

The unit trust fund is divided into units, each of which represents a tiny share of the overall portfolio. Each day, the portfolio is valued, which determines the value of the units. When the portfolio value rises, the price of the units increases. When the portfolio value goes down, the price of the units falls.

The unit trust is run by a fund manager, or a team of managers, who will make the investment decisions. They invest in stock markets all round the world, and for the more adventurous investor, there are funds investing in individual emerging markets, such as China, or in the so-called BRIC economies (Brazil, Russia, India and China).

Alternatively, some funds invest in metals and natural resources, as well as many putting their money into bonds. Some offer a blend of equities, bonds, property and cash, and are known as 'balanced funds'. If you wish to marry your profits with your principles, you can also invest in an ethical fund.

Some funds invest not in shares directly but in a number of other funds. These are known as 'multi-manager funds'. Most fund managers use their own judgement to assemble a portfolio of shares for their funds. These are known as 'actively managed funds'.

However, a sizeable minority of funds simply aim to replicate a particular index, such as the FTSE all-share index. These are known as 'passive funds' or 'trackers'.

TIME TO REVIEW YOUR CURRENT INVESTMENT STRATEGY?

If you would like to review your current investment strategy, please contact us – we look forward to hearing from you.

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