What is a listed fund?

Broadly speaking, an investment fund refers to any vehicle that allows investors to pool their money for investment by an investment manager in accordance with a defined investment policy. A listed fund is an fund which has been admitted to trading and/or listing on a stock exchange – being a platform where securities can be bought and sold.

If you have a personal pension, there is a very good chance that some of it will be invested in a listed fund.

The shares in listed funds are publicly traded securities which are transferable at the option of the shareholder, whereas an investment in a private fund will likely only be permitted to be transferred by an investor with the consent of the fund manager.

Why establish a listed fund?

There are lots of reasons to establish a fund – here are just a few.

- Tax-efficient – funds are structured to be tax-efficient, meaning that investors involved as is possible are treated as if they had invested in the fund’s assets directly.
- Permanent capital vehicle – a listed fund will often have no fixed life and there will be no ability for shareholders to redeem or withdraw their investment from the fund. Shareholders exit their investment by selling their shares on the relevant stock exchange. This means the invested capital cannot be reduced by shareholders withdrawing their investment.
- Exposure to assets/spread of investments risk – an investor can gain exposure to a very good chance that some of it will be invested in a listed fund.
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- Liquidity – shares in a listed fund are publicly traded, in that a seller can sell shares at a price agreed with the buyer.

What can a listed fund invest in?

Broadly speaking any asset can be ‘wrapped’ in a listed fund wrapper. For example, a listed fund may make investments in other investment funds, shares, loans, infrastructure, property, student accommodation, planes, ships, wind farms, solar energy, intellectual property – the list goes on.

Who manages a listed fund?

A listed fund will either appoint an external investment manager or will be self-managed, meaning that the board of directors of the fund will make investment decisions for the fund usually on the advice of an external advisor. However the fund is managed, investments will be made in accordance with the fund’s stated investment policy.

A listed fund will also have a board of directors, the majority of whom will be independent of the manager. The board will ensure compliance with applicable corporate governance requirements and will monitor the service provided by the manager and other relevant service providers.

Where to list

This will depend on the fund’s ability to meet listing restrictions applicable to the relevant market. For example, listing on the main market of the London Stock Exchange will mean that the fund’s investment policy will require it to have a sufficient spread of investment risk. Other markets, such as the Specialist Fund Segment of the London Stock Exchange (the SFS) and TISE, will be more permissive in terms of a fund’s investment policy.

Where a fund is listed can also have tax implications for an investor. For example, UK resident taxpayers may be concerned about the eligibility of their listed fund shares for inclusion in an ISA or a SIPP – it’s important to note that not all stock exchanges will qualify. Those which will qualify include the Official List of the UK Listing Authority and TISE. Admission to trading on the SFS will not alone be sufficient for ISA/SIPP-eligibility.

It is possible to list a fund on two (or more) markets (known as a dual listing) – for example an admission to trading on the SFS has been paired with a listing on TISE. Therefore gaining greater market visibility and ISA/SIPP-eligibility for certain investors.

Marketing a listed fund

Marketing (or selling) any investment fund (whether listed or not) will likely be subject to restrictions on either the manager or the fund, taking into account where the fund has been established, where the manager is located and where the potential investors are located. The rules relating to marketing a fund can often be complex, so specialist advice would always be recommended.

How long does it take to launch a listed fund?

There are a number of factors which affect the timetable for launching a listed fund – however, 10-12 weeks is usually sufficient time.

Blockchains are commonly perceived to be complex and difficult to understand. While the technology involves a blend of several elements of computer science, the concept behind it is fairly simple.

This article provides a gentle introduction to the most important parts of blockchain technology.

What is a blockchain?

Using the example of a bank, transactions between individuals are processed through a central authority (i.e. the bank), which holds and updates a central ledger relating to those transactions. Both parties trust the central authority and rely on the records of the transaction in that central ledger as ‘the truth’.

A blockchain removes that central authority. Instead, parties transact directly with each other and the record book is not controlled and updated by any single source. Instead, anyone can hold a copy of the ledger and take part in updating and maintaining it.

This is known as ‘decentralisation’.

A blockchain, then, is effectively a shared spreadsheet, recording transfers of anything of value. Some are private and others public.

What is decentralisation?

Each blockchain operates by different rules and is intended for different uses. These rules are accepted by the consensus of developers, contributors and users, and can change if enough people agree, but no single central authority can impose changes.

Unlike a traditional ledger, a blockchain is not stored on a central server. Instead, it is stored and synchronised across many computers at the same time. This means that if a blockchain is deleted from one computer, it is not lost forever and can be recovered from the copies held on the other computers.

Decentralisation also means that people using a blockchain do not need to know or trust the other parties they are dealing with. Instead, trust is built into the way the blockchain itself operates, as everyone involved has no choice but to play by the same rules if they want to use it.

How does a blockchain work?

A blockchain is comprised of a chain of blocks. Each block contains a number of recent transactions, which build on and are consistent with and verified by reference to previous blocks.

A blockchain, then, is effectively a shared spreadsheet, recording transfers of anything of value. Some are private and others public.

Recording transactions within a block, and verifying and adding the blocks themselves to the chain, involves cryptography and other rules to ensure that the blockchain is secure and not easily hacked.

Blockchains are added by computers running special software, and these blocks are generally confirmed only by other users of this software so that incorrect information is not added.

Once blocks are added to the chain and confirmed, transactions are generally immutable meaning that they cannot be amended. Some uses of blockchains require you to download special software in order to transact, while others allow parties to transact directly with each other through web-based interfaces without needing to download the blockchain itself, widening accessibility.

Why are people so excited about blockchains?

Blockchain offers a new method for people to interact with each other directly in a way that is trustworthy and reliable.

Private blockchains and distributed ledgers in particular are attracting significant interest and investment. The technology can offer instant settlement between parties without an intermediary.

What is next?

As use of blockchain technology increases it will simply become a backbone for transactions rather than a novel technology in itself and the underlying platform will be irrevocable to users who engage with others on it.

Recently, startups have raised significant capital using blockchain technology to develop products and services intended to make different transactions between parties faster and cheaper.

Blockchain technology itself is evolving too, to allow more complex operations to be run on blockchains, interaction between blockchains and to address security and speed issues.

Blockchain technology has huge potential but the fact that it is an early stage technology and is largely unregulated means that you should carefully research and cautiously approach any potential involvement with blockchains.