



# Benefits of unitised funds

Unitised fund structures can be considered a more efficient alternative to managing client monies at account level either via a bespoke service or model portfolio. Below we look at some of the potential advantages for both the investment manager and their clients;

## Investment Management Benefits

### Costs & Efficiencies

- Creating your own funds via the use of a Host ACD can improve your negotiating position with Fund Managers providing access to cheaper share classes
- Whilst rebalancing, a stock transaction can be executed via a single transaction at fund level rather than replicated across individual accounts improving efficiency and reducing transaction costs
- It is a scalable solution that provides access to your investment proposition by simply acquiring units in the fund as opposed to generating individual accounts
- Simplified and transparent fund reporting can allow the investment manager to focus on managing the portfolio and optimising client service
- With the ability to support the use of segregated mandates you can reduce the cost of managing the underlying investments which in turn can lead to a reduced OCF on your funds
- Can be a very efficient model to service non bespoke, smaller portfolios

### Flexibility

- Becoming an Asset Manager via the use of a Host ACD can further support a vertically integrated business model
- Offers great investment flexibility which allows the investment manager to respond to changing investor needs.
- The fund can be made available on all platforms, without restriction on asset types, increasing your distribution capability and eliminating the need to manage different portfolios for different platforms.
- Separate risk models can be created by establishing sub-funds within the same umbrella fund structure.
- The ability to implement segregated mandates in an effort to enhance your overall proposition as well as potentially reduce business risk
- The ability to efficiently support decumulation products via regular withdrawals

### Benefits of using a host ACD

- By using a host authorised corporate director (ACD) for an OEIC - or an authorised fund manager (AFM) for a unit trust - certain regulatory obligations and administrative duties are fulfilled by an outsourced expert.
- Host ACD providers offer vast experience in making applications to the FCA in order to both establish new funds and/ or sub-funds, as well as request and implement any subsequent changes,
- You can benefit from the host ACD's infrastructure,

technology, expertise and scale.

- The host ACD provides independent oversight capability providing a clear segregation of duties between the oversight function and the management of monies by the investment manager
- Whilst the overall regulatory and oversight responsibility remains with the host ACD, the investment manager and host ACD can collaborate to define the fund's target market, objectives and policy in order to support your proposition.
- The investment manager retains responsibility for key decisions regarding fund research, investment decisions, trade placement, best execution, transaction reporting, portfolio management, and marketing to intermediaries and institutions.
- The flexibility to also service clients that do not use a platform-based approach.

## Client Benefits

### Costs & Efficiencies

- A fund-based approach increases portfolio efficiency thereby reducing costs potentially leading to improved performance;
- Placing bulk transactions within a unitised environment whilst utilising economies of scale can also lead to a reduction in transaction costs
- The annual management fee charged by the investment manager is exempt from VAT.
- Portfolio rebalancing within a fund structure does not create CGT liability for clients.
- Investors can gain access to investment management expertise with smaller amounts of capital whilst remaining cost effective
- Whilst appealing to smaller investors, there is also potential substantial savings for larger investors.
- The potential to utilise segregated mandates in an effort to reduce client costs and appoint leading managers

### Transparency

- As funds publish a regular price, a unitised structure makes it easier for clients to track performance against specific criteria
- provides enhanced investor protection through the regulatory framework.

## Why Smith & Williamson

### Who we are?

- SWFAL launched its first Unit Trust in 1985 and today provides Hosted ACD & Fund Administration services to the UK funds industry
- Originally established to provide private family funds; over the last decade we have successfully expanded our services to become one of the largest Host ACD providers in the UK
- We provide Fund Administration via an in-house model which includes Fund Accounting and Transfer Agency
- Our operation is based in Glasgow providing access to experienced and specialist staff – a Top 15 Financial Centre in Europe
- A track record of forming long term business relationships and acting as a trusted partner who carries out its role diligently

### Proven track record

- Provide in-house ACD/AFM and Fund Administration services to £19.6bn AUM across 167 funds (as at 31/12/2020)
- We support 12 fund sponsors as well as c.45 Investment Managers in order to provide effective fund management solutions for clients
- We provide fund structures to support the Retail, Institutional and Private funds market
- Predominately supporting authorised OEICs (ACD) and Unit Trusts (AFM), we also act as the regulated operator of other collective investment schemes including exempt/unauthorised schemes and common investment funds; as well as an Alternative Investment Fund Manager (AIFM) for alternative structures
- Ability to act as an ISA plan manager
- The ability to use 'SVS' as the trading name for the funds

### Glossary

ACD - Authorised corporate director

AFM - Authorised fund manager (Unit Trust)

OEIC - Open ended investment company (ACD)

## The strengths of an in-house fund administration model

- One site centre of excellence from our Glasgow operation. Teams include Pricing & Valuations, Statutory Reporting, ACD & AFM Fund Oversight and Transfer Agency
- With investor protection being at the very heart of what we do, we can both identify and resolve potential issues quickly
- Within our role as ACD/AFM we have daily direct oversight capability, with no need to periodically oversee third party activities over multiple locations
- Access to a dedicated relationship manager supporting you on all areas of Fund Administration
- A personalised service to our clients with no services sub-contracted
- All-in-one fee including both the ACD and all elements of Fund Administration

### Partnership driven

- Support the delivery of strategic goals and improved customer outcomes
- We ensure our partners fully understand the importance of our role as ACD to ensure we work in partnership for the interests of all parties - which includes our primary purpose of protecting the end investor
- With Fund Administration services all under one roof, we work with our partners to ensure the processes work for them
- A dedicated Relationship Manager to cover all ACD and Fund Administration elements with wider support and expertise from within the business
- Dedicated project resource to support new fund launches as well as any investment manager and fund changes
- Produce individual sponsor reporting
- Strong relationships in place with major global custodians, auditors and lawyers. Benefit from the appointment of a leading independent depositary in support of our strong governance structure
- We produce a valuable bi-annual Regulatory Focus brochure, providing our clients with information on the latest regulatory changes

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**Investment does involve risk. The value of investments and the income from them can go down as well as up. The investor may not receive back, in total, the original amount invested.**

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