

## Unit Trusts

A 'unit trust scheme' is defined in section 237(1) Financial Services and Markets Act 2000 (FSMA) as

'a collective investment scheme under which the property is held on trust for the participants'.

A unit trust scheme is legally a trust, having a trustee and beneficiaries. The unit trust constitutes a pool of investments ('the scheme property') made up of the contributions of investors. The pool of investments is divided into equal portions called units, and investors hold a number of units depending on how much they have contributed. The investors in the unit trust are beneficially entitled to an undivided share of the investments subject to the trust and are referred to as unit holders. The price of units is determined by the managers of the trust (usually on a daily basis) at the current market value of the investments held in the fund.

There are three parties to a unit trust: the manager, the trustee who must be unconnected to the manager, and the unit holders who are the trust beneficiaries.

Unit trusts with trustees resident in the UK may be:

Authorised Unit Trusts – a type of [Authorised Investment Fund \(PDF 38K\)](#)

or

[Unauthorised Unit Trusts \(PDF 19K\)](#)

If the trustees are not resident in the UK then a Unit Trust will be an [Offshore Fund \(PDF 19K\)](#)