HMRC - STSM107110 - Fund Supermarkets

A fund supermarket is essentially a website providing an alternative way of investing in a collective investment scheme such as a unit trust or Open-Ended Investment Company (OEIC). Rather than separately contributing cash directly to one or more unit trusts (or OEICS) in return for units issued by each fund, an investor can choose to invest in a range of funds by registering at one central on-line location with an entity commonly called a fund supermarket.

The role of a fund supermarket is to allow investors access to a wide range of unit trusts and OEICS which are offered on-line by the supermarket. Once registered, an investor places an on-line instruction with the operator of the supermarket (typically called, in generic terms, as the ‘intermediary’) to, say, purchase units in one or more unit trusts/OEICS to the value of total cash contributed by the investor. The supermarket operator contacts the underlying fund manager(s) to purchase the required units and OEIC shares. Units/OEIC shares purchased are held, (unlike a direct investment in each fund by the investor) in the legal name of the supermarket (or that of its nominee), as nominee for, and on behalf of, the investor.

Conversely, when an investor is no longer interested in holding an interest in units/OEIC shares held on his behalf by the supermarket, he can instruct the operator to surrender the units/OEIC shares to the relevant underlying trust fund or OEIC.

The benefits to an investor of using a supermarket include:

being able to pay a single amount on-line for interests arranged and acquired by the supermarket on the investors behalf in various unit trusts/OEICs;

receiving a single statement (from the supermarket) which outlines all of the investments purchased (or sold); and

lower costs, as many supermarkets are able to negotiate more favourable buying and selling unit/OEIC share prices with individual fund managers.

See STSM101020 for the meaning of a unit trust.

See STSM101050 for the meaning of an open-ended investment company.

See STSM101010 for the meaning of a collective investment scheme.

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