



INTEGER WEALTH GLOBAL

Understanding Fund Tiers

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Understanding Fund Tiers

When building a well-structured investment portfolio, not all funds are created equal. At IWG, we categorise investments into three distinct tiers based on liquidity, risk profile, regulatory oversight, and accessibility. Understanding these tiers helps our clients make informed decisions aligned with their financial goals.

TIER 1 FUNDS - CORE, LIQUID & REGULATED

Definition: Tier 1 Funds form the foundation of a well-balanced portfolio. These are highly liquid, heavily regulated investment vehicles that are accessible to the general public and traded on recognised exchanges or through established fund platforms. They offer transparency, daily pricing, and straightforward redemption, making them suitable for the majority of investors regardless of experience level.

Key Characteristics

- Daily liquidity and pricing
- Regulated by major financial authorities (e.g. FCA, SEC)
- Low to moderate risk profile
- High transparency and reporting standards
- Low minimum investment thresholds

Examples

Example	Description
FTSE 100 Index Fund	A passive fund tracking the UK's 100 largest listed companies, offering broad equity market exposure.
Vanguard S&P 500 ETF	An exchange-traded fund providing diversified exposure to 500 leading US companies.



Example	Description
BlackRock Corporate Bond Fund	A fixed income fund investing in investment-grade corporate debt with regular income distribution.
Money Market Funds	Short-duration, capital-preservation vehicles focused on protecting principal with modest returns.

TIER 2 FUNDS - DIVERSIFYING, LESS LIQUID & SPECIALIST

Definition: Tier 2 Funds sit in the middle of the investment spectrum. They offer the potential for enhanced returns or diversification benefits beyond traditional asset classes, but come with reduced liquidity, longer investment horizons, and often higher minimum investment requirements. These funds are typically suited to experienced investors or those with a longer-term outlook who can tolerate periodic illiquidity.

Key Characteristics

- Monthly, quarterly, or limited redemption windows
- Regulated but with more complex structures
- Moderate to higher risk profile
- Access may be restricted to sophisticated or high-net-worth investors
- Greater focus on alternative or specialist strategies

Examples

Example	Description
REITs	Real Estate Investment Trusts investing in commercial or residential property portfolios, offering income and capital growth.
Infrastructure Funds	Funds investing in long-term assets such as toll roads, renewable energy projects, or utility networks.
Hedge Funds	Actively managed funds employing long/short equity and a range of market strategies to generate absolute returns.
Multi-Asset Income Funds	Blended funds targeting income across equities, bonds, and alternatives, providing diversified yield.



TIER 3 FUNDS - ALTERNATIVE, ILLIQUID & HIGH CONVICTION

Definition: Tier 3 Funds represent the most complex and illiquid end of the investment spectrum. These vehicles are typically reserved for institutional investors, family offices, and qualified high-net-worth individuals. They offer the potential for the highest returns but require long capital lock-up periods, carry elevated risk, and demand a higher degree of due diligence.

Key Characteristics

- Capital lock-up periods of 5 to 15+ years
- Limited or no secondary market liquidity
- High minimum investments (typically £250,000 to £1m+)
- Restricted to professional or institutional investors
- Highest potential return and highest potential risk

Examples

Example	Description
Private Equity Funds	Funds acquiring stakes in private companies with the aim of growing and exiting over a defined period of 5 to 10 years.
Venture Capital Funds	Early-stage investment vehicles backing high-growth startups and scale-ups with the potential for significant returns.
Private Credit Funds	Direct lending funds providing loans to businesses outside of traditional banking channels.
Timberland & Farmland Funds	Real asset funds investing in physical land for long-term capital appreciation and inflation protection.