

What are discounts and premiums?

What are discount and premiums? It might seem a little confusing, but the value of a Scottish Mortgage share is often expressed in two different ways. First, the share price. The price you actually buy and sell at. Remember it is the movement of this share price that will dictate the return you achieve.

Second, the Net Asset Value per share, or in simple terms, the total value of assets less any liabilities, divided by the number of shares. To keep things simple, let's just call it the NAV. Because shares are bought and sold on the stock market, the share price is affected by supply and demand. That means the Scottish Mortgage share price will often be higher or lower than the NAV. That difference is known as a discount or premium.

Buying shares at a discount means you pay less than the NAV. Buying at a premium means that you pay more than the NAV. Nobody wants to overpay for an asset, so your natural instincts might tell you that you want to buy at a discount or sell at a premium. To safeguard against discounts or premiums getting too large, Scottish Mortgage has a policy in place that helps to keep the share price and NAV closely aligned in normal market conditions. That means over the long term, these discounts and premiums should have little impact on the overall return.

To find out why investment trusts buy back their own shares, you can watch the next animation.

Watch all of our educational films on investment trusts at www.scottishmortgage.com/aboutus

Important information and risk factors

All investment strategies have the potential for profit and loss. Your or your clients' capital may be at risk. A Key Information Document is available at www.scottishmortgage.com

This communication should not be considered as advice or a recommendation to buy, sell or hold a particular investment. This communication contains information on investments which does not constitute independent investment research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.

Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Trust.

The Scottish Mortgage Investment Trust is a listed UK company, and is not authorised or regulated by the Financial Conduct Authority. The value of its shares can fall as well as rise and investors may not get back the amount invested.