SCOTTISH MORTGAGE INVESTMENT TRUST

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/explainers

Risk Factors

All investment strategies have the potential for profit and loss. Your or your clients' capital may be at risk.

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.

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(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 except:
(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA,
(2) where no consideration is or will be given for the transfer;
(3) where the transfer is by operation of law; or

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(4) pursuant to Section 276(7) of the SFA or Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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