What does closed-ended mean?

What does closed-ended mean? Investment trusts are known as closed-ended vehicles as opposed to open-ended funds. 'Closed-ended' might give the impression that you are gated or somehow tied in. Don't worry, you're not. What's meant by a fund being closed-ended is that it has a fixed number of shares in issue at any one time.

In practice, if you wish to invest in Scottish Mortgage, you buy shares from another investor on the stock market. You don't have to physically find a seller. It's far simpler than that. Just like trading any other listed security, your savings platform or corporate broker will match your demand with supply. In contrast, open-ended funds expand or contract depending on demand as investors move their money in and out of a fund. This means open-ended funds must be ready to give investors their money back at any time. That means they normally only invest in assets which can be sold very quickly Because Scottish mortgage is closed-ended, it is effectively permanent capital.

So the underlying portfolio remains intact and is not impacted by the demand of its shares. This allows the managers to invest in assets which can be harder to buy and sell or are more long term in nature. Some investment trusts can make investments in private companies, which are less liquid, but can also deliver strong returns over the long term. To find out about discounts and premiums, 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

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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.

The trust has a significant investment in private companies. The Trust's risk could be increased as these assets may be more difficult to sell, so changes in their prices may be greater.

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