

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/explainers

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

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.

Important Information

This content was produced and approved at the time stated and may not have been updated subsequently. It represents views held at the time of production and may not reflect current thinking. [Read our Legal and regulatory information for further details.](#)

This content does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. The views expressed are not statements of fact and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed on the London Stock Exchange and are not authorised or regulated by the FCA.

Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 (BGA) holds a Type 1 licence from the Securities and Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes and closed-ended funds such as investment trusts to professional investors in Hong Kong.

Baillie Gifford Asia (Singapore) Private Limited (BGAS) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in Singapore. BGA and BGAS are wholly owned subsidiaries of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co.

Europe

Scottish Mortgage Investment Trust PLC (the "Company") is an alternative investment fund for the purpose of Directive 2011/61/EU (the "AIFM Directive"). Baillie Gifford & Co Limited is the alternative investment fund manager ("AIFM") of the Company and has been authorised for marketing to Professional Investors in this jurisdiction.

This content is made available by Baillie Gifford Investment Management (Europe) Limited ("BGE"), which has been engaged by the AIFM to carry out promotional activities relating to the Company. BGE is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. BGE also has regulatory permissions to perform promotional, advisory and Individual Portfolio Management activities.

BGE has passported its authorisations under the mechanisms set out in the AIFM Directive.

Belgium

The Company has not been and will not be registered with the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten / Autorité des services et marchés financiers) (the FSMA) as a public foreign alternative collective investment scheme under Article 259 of the Belgian Law of 19 April 2014 on alternative collective investment institutions and their managers (the Law of 19 April 2014). The shares in the Company will be marketed in Belgium to professional investors within the meaning the Law of 19 April 2014 only. Any offering material relating to the offering has not been, and will not be, approved by the FSMA pursuant to the Belgian laws and regulations applicable to the public offering of securities. Accordingly, this offering as well as any documents and materials relating to the offering may not be advertised, offered or distributed in any other way, directly or indirectly, to any other person located and/or resident in Belgium other than to professional investors within the meaning the Law of 19 April 2014 and in circumstances which do not constitute an offer to the public pursuant to the Law of 19 April 2014. The shares offered by the Company shall not, whether directly or indirectly, be marketed, offered, sold, transferred or delivered in Belgium to any individual or legal entity other than to professional investors within the meaning the Law of 19 April 2014 or than to investors having a minimum investment of at least EUR 250,000 per investor.

Germany

The Trust has not offered or placed and will not offer or place or sell, directly or indirectly, units/shares to retail investors or semi-professional investors in Germany, i.e. investors which do not qualify as professional investors as defined in sec. 1 (19) no. 32 German Investment Code (Kapitalanlagegesetzbuch – KAGB) and has not distributed and will not distribute or cause to be distributed to such retail or semi-professional investor in Germany, this document or any other offering material relating to the units/shares of the Trust and that such offers, placements, sales and distributions have been and will be made in Germany only to professional investors within the meaning of sec. 1 (19) no. 32 German Investment Code (Kapitalanlagegesetzbuch – KAGB).

Luxembourg

Units/shares/interests of the Trust may only be offered or sold in the Grand Duchy of Luxembourg (Luxembourg) to professional investors within the meaning of Luxembourg act by the act of 12 July 2013 on alternative investment fund managers (the AIFM Act). This document does not constitute an offer, an invitation or a solicitation for any investment or subscription for the units/shares/interests of the Trust by retail investors in Luxembourg. Any person who is in possession of this document is hereby notified that no action has or will

be taken that would allow a direct or indirect offering or placement of the units/shares/interests of the Trust to retail investors in Luxembourg.

Switzerland

The Trust has not been approved by the Swiss Financial Market Supervisory Authority ("FINMA") for offering to non-qualified investors pursuant to Art. 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended ("CISA"). Accordingly, the interests in the Trust may only be offered or advertised, and this document may only be made available, in Switzerland to qualified investors within the meaning of CISA. Investors in the Trust do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the approval for offering.

Singapore

This content has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this content and any other content or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust may not be circulated or distributed, nor may be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001, as modified or amended from time to time (SFA)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Trust is subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (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

(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.