What is an Investment Trust?

What is an investment trust? In simple terms, an investment trust is a type of fund, and just like any other, it holds a portfolio of underlying investments. The key difference from many other funds is that Scottish Mortgage is an investment company. That is because it is listed on the London Stock Exchange, where it is a constituent of the FTSE 100.

As a result, it possesses many of the same features as other publicly listed companies. You invest in Scottish Mortgage by buying and selling its shares. So the return you receive is dictated by the movement of its share price.

As a shareholder, you have rights and the company is required to seek your approval if it wants to make any significant changes. That is done most frequently by shareholder votes at the annual general meeting.

You also have a board of directors, whose duty is to look after your interests. They meet several times a year and are responsible for various things, such as setting charges and overseeing the performance of the investment managers at Baillie Gifford.

Another feature is just like any other company, Scottish Mortgage can borrow money. This is known as gearing. To learn more about why gearing is an important feature of investment trusts, 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.

The Trust can borrow money to make further investments (sometimes known as "gearing" or "leverage"). The risk is that when this money is repaid by the Trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the Trust will make a loss. If the Trust's investments fall in value, any invested borrowings will increase the amount of this loss.

Managed by

Baillie Gifford™

Regulatory Information

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A Key Information Document is available by visiting our Documents page. Any images used in this content are for illustrative purposes only.

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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.