

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/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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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.

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.