UNDERSTANDING INVESTMENT TRUSTS

Janus Henderson INVESTORS

WHAT IS AN INVESTMENT TRUST?

An investment trust is an investment company, a type of collective investment, listed on the London Stock Exchange. Most investment trusts aim to make money by investing in other companies or other assets.

Investment Trust

Consumer goods

Utility company

Property

HOW MANY	HOW MUCH
390	£229bn
The number of investment trusts in the UK	The amount of money managed by these investment trusts

(Source: Association of Investment Companies, 31st December 2020)

Like M&S or Rolls-Royce, investment trusts are similar to other listed companies, with a board and professionals who carry out the business activities. Instead of selling food or jet engines, a trust's business is investing in other companies.

Investment Trust

Independent board

An independent board looks after the interests of the company, seeks to protect shareholders (investors in the trust), sets the dividends paid, and ensures the manager is doing a good job

Fund manager

For most trusts, the independent board selects a professional fund manager to run the trusts investments. Professional managers provide skill and expertise to help maximise the trust's investments

For example, Janus Henderson Investors manage a number of trusts.

HOW MANY	HOW MUCH
13	£8.2bn
The number of Trusts managed by Janus Henderson	The assets in investment trusts managed by Janus Henderson

(Source: Association of Investment Companies, 31st December 2020)

Like any other company listed on a stock exchange, an investment trust has shareholders. These are the trust's investors. The end investor will invest via an intermediary, such as a wealth manager or stock broker, or directly, using a share dealing service.

Investor

Stock broker

Wealth Manager

Share dealing service

Investment Trust

RESEARCH

Before investing in an investment trust, it is a good idea to do some research. Information about investment trusts can be found in lots of places, from a national newspaper supplement through to specialist or fund manager websites.

Newspaper

Website

Magazines

Conversations

Financial Advisor

HOW DO THEY MAKE MONEY?

Investment trusts will have a clear objective – growth or income, or both – and all trusts are likely to be positioned to aim for medium – long-term growth.

Growth

Income

Both

With around 400 trusts to choose from, you can go global, target a specific region or stay closer to home.

Global

Region

UK

Investment trusts can offer access to a wide range of markets and asset classes. The portfolio may contain a wide range of investments, or may take a more focused approach.

Retail

Utilities

Transport

Start ups

Energy

Tech

Infrastructure

Fixed income

DIVERSIFIED	SPECIFIC
There are trusts that invest in companies across a number of industries and countries.	There are also trusts which focus specifically on a particular sector or asset class.

WHAT ELSE DO YOU NEED TO KNOW?

As with any investment there are different risks to consider and costs involved. Investment trusts can be low cost and shares in a trust can be bought in a tax-efficient ISA, while the risks will vary depending on the type of trust.

COSTS

0.42%

Each trust will pay a management charge to the professional fund manager. This can be as low as 0.42% for some largely actively-managed trusts. For some trusts, a performance fee may be paid.

£

There are likely to be share dealing charges when shares in a trust are bought and sold. This charge will vary depending on the service you choose to trade shares, but may be as little as £10. Investors also pay stamp duty tax when buying shares.

ISA

When dividends are received from an investment, 10% tax is deducted at source, with the difference up to an investor's marginal tax rate paid through a tax return. Investing in an ISA wrapper exempts investors from additional income tax and any capital gains tax.

RISKS

1

Across all trusts, the share price can rise and fall. This is also the case for any income paid out by an investment trust.

2

The risk of individual trusts will vary and will often change in relation to the potential reward available.

3

The amount of risk you take will often depends on the type of asset invested in or the number of underlying assets.

4

How easily and quickly fund managers can buy or sell an underlying asset (known as liquidity) also affects risk.

The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested.