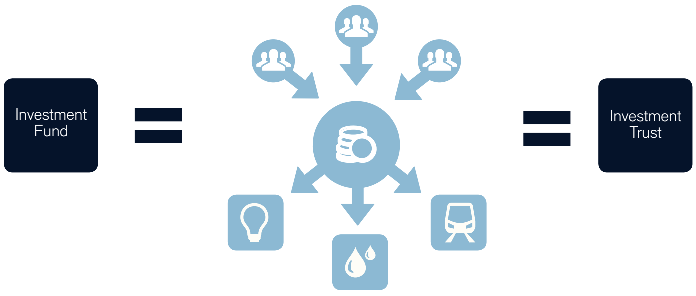
UNDERSTANDING INVESTMENT TRUSTS

Janus Henderson INVESTORS

WHAT'S DIFFERENT ABOUT INVESTMENT TRUSTS?

Both investment trusts and investment funds pool together money from different investors – they are both pooled or collective investments.

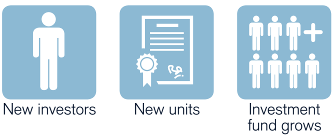


Collective investment

INVESTMENT FUNDS

Investment funds are known as open-ended investment companies or unit trusts.

The way these funds work is that when someone new invests in the fund new 'units' are created and the fund grows in size.



When an investor leaves, the fund shrinks in size. In extreme conditions, if lots of people move out of the fund, assets must be sold, potentially at a loss.

INVESTMENT TRUSTS

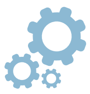
Investment trusts issue a fixed number of shares and are sometimes referred to as closed-ended.

To invest in a trust you buy shares from someone willing to sell them.

In times of market stress, the fund manager is not forced to sell assets to release shares, as sellers need to be matched to buyers.

WHAT ADVANTAGES DO INVESTMENT TRUSTS HAVE?

GEARING



An investment trust is allowed to borrow to enhance returns in rising markets, to take maximum advantage of opportunities. This is known as gearing or leverage. If a trust uses gearing in a falling market, loses will be magnified.

INCOME MANAGEMENT

15%

Unlike investment funds, an investment trust does not have to pay all of its income each year. It can retain up to 15% to smooth out income payments over time.

LONG-TERM VIEW

Because investment trust managers don't have to worry about investors wanting to access their money, they are more able to take a longer-term view of the companies in which they choose to invest.