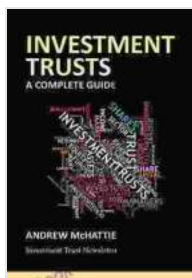


Investment Trusts: A Comprehensive Guide to Understanding and Investing

Investment trusts are a type of investment fund that has been structured as a closed-end fund. Unlike open-end funds, which issue and redeem shares continuously, investment trusts issue a fixed number of shares that are listed on a stock exchange. This means that the number of shares in circulation remains constant, and the price of the shares is determined by supply and demand in the market.



Investment Trusts: A Complete Guide by M.C. Laubscher

★★★★☆ 4.2 out of 5

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Investment trusts have a long history dating back to the 19th century, and they have become a popular investment vehicle for investors looking for exposure to a wide range of assets. Investment trusts can invest in stocks, bonds, property, commodities, and other asset classes. They are also popular for their ability to generate income, as many investment trusts pay dividends to their shareholders.

How Do Investment Trusts Work?

Investment trusts are managed by a board of directors who are responsible for overseeing the investment strategy of the trust. The board of directors will appoint an investment manager to implement the investment strategy and make day-to-day investment decisions. The investment manager will typically be a professional investment firm with a track record of success in managing investments.

The investment manager will invest the assets of the trust in a portfolio of investments. The portfolio will be designed to meet the investment objectives of the trust, which will be set out in the trust's prospectus. The investment manager will monitor the portfolio and make changes as necessary to meet the objectives of the trust.

Investment trusts issue shares that are listed on a stock exchange. The price of the shares is determined by supply and demand in the market. The net asset value (NAV) of the investment trust is the value of the assets in the portfolio divided by the number of shares issued. The NAV will fluctuate as the value of the assets in the portfolio changes.

Types of Investment Trusts

There are a wide variety of investment trusts available to investors. The most common types of investment trusts include:

- **Equity investment trusts** invest in stocks.
- **Fixed income investment trusts** invest in bonds.
- **Property investment trusts** invest in property.
- **Commodity investment trusts** invest in commodities.

- **Multi-asset investment trusts** invest in a mix of assets.

Investment trusts can also be classified by their investment style. The most common investment styles include:

- **Growth investment trusts** invest in companies that are expected to generate strong earnings growth.
- **Value investment trusts** invest in companies that are considered to be undervalued by the market.
- **Income investment trusts** invest in companies that pay high dividends.
- **Index-tracking investment trusts** invest in a portfolio of assets that tracks a particular market index, such as the FTSE 100.

Advantages of Investment Trusts

Investment trusts offer a number of advantages over other types of investment funds:

- **Investment trusts can provide diversification.** Investment trusts can invest in a wide range of assets, which can help to reduce risk. This is because the value of different assets tends to move in different directions. When one asset class is performing poorly, another asset class may be performing well.
- **Investment trusts can provide exposure to specialist asset classes.** Some investment trusts invest in specialist asset classes, such as property or commodities. This can give investors access to asset classes that they would not be able to access directly.

- **Investment trusts can offer tax benefits.** In some countries, investment trusts are tax-advantaged. This means that investors can reduce their tax liability by investing in investment trusts.

Disadvantages of Investment Trusts

Investment trusts also have some disadvantages:

- **Investment trusts can be expensive.** The fees charged by investment trusts can be higher than the fees charged by other types of investment funds.
- **Investment trusts can be less liquid than other types of investment funds.** It can be more difficult to sell shares in an investment trust than shares in an open-end fund. This is because the number of shares in circulation is fixed.
- **Investment trusts can be more volatile than other types of investment funds.** This is because the price of the shares is determined by supply and demand in the market. When there is more demand for the shares, the price can rise. When there is less demand for the shares, the price can fall.

How to Invest in Investment Trusts

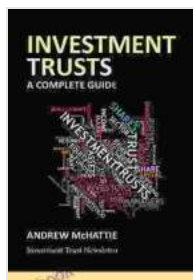
Investors can invest in investment trusts in a number of ways:

- **Buying shares through a stockbroker.** Investors can buy shares in investment trusts through a stockbroker. The stockbroker will charge a commission for this service.
- **Buying shares through an online investment platform.** There are a number of online investment platforms that allow investors to buy and

sell shares in investment trusts. These platforms typically charge a lower commission than stockbrokers.

- **Investing through a financial adviser.** Financial advisers can help investors to choose the right investment trusts for their investment objectives. Financial advisers typically charge a fee for their services.

Investment trusts can be a good investment for investors looking for exposure to a wide range of assets. Investment trusts can provide diversification, access to specialist asset classes, and tax benefits. However, investment trusts can also be expensive and less liquid than other types of investment funds. Investors should carefully consider the advantages and disadvantages of investment trusts before investing.



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