Investment Trusts

Blackstone Moregate
Independent Financial Advisors

Investment Trusts exist purely to invest in a portfolio of shares and securities in other companies to make money for their own shareholders. They pool investors' money and employ a professional fund manager to invest in the shares of a wider range of companies than most people could practically invest in themselves. This way even people with small amounts of money can gain exposure to a diversified and professionally run portfolio of shares, spreading the risk of stock market investment.

An Individual Savings Account (ISA) offers the opportunity to buy into a portfolio of funds (Unit trusts and OEIC's) thereby diversifying the investment risk and is the primary way of spreading the risk in these collective investments. It offers significant tax advantages and growth potential, coupled with professional fund management. The minimum investment period should be considered as five years.

Investment Trusts are what is known as closed ended funds. This means that the amount of money which the Trust raises to invest is fixed at the start by issuing a set number of shares to investing shareholders. Every selling shareholder must first be matched to a potential buyer via the stock market before a transaction can take place. Having a fixed pool of money enables the fund manager to plan ahead.

Trusts often specialise in particular sectors and types of company. Some might specialise, for example, in communications companies, or alternative energy producers. Others specialise in companies from different parts of the world.

Trusts also specialise in what they aim to give their shareholders. Some try and maximise income. Others aim exclusively for capital growth over the long term. Some Trusts aim to provide a combination of income and capital growth. All Trusts have investment objectives that will be clearly stated in their literature.

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