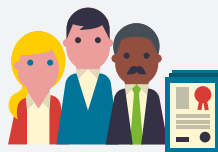


THE PRICE AND VALUE OF INVESTMENT TRUSTS

As an investment trust is similar to other companies listed on the London Stock Exchange, the price of its shares is affected by value of the assets the trust owns, the level of supply and demand for shares, and market sentiment.

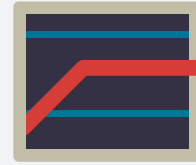
Investment Trust



Demand for shares



Asset values increases



Share price

THE SHARE PRICE

Investment Trust

An investment trust also has a net asset value or NAV per share. This is the total value of the investments held by the trust, minus any money it has to pay out (liabilities), then divided by the number of shares.



Investments

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Liabilities

÷



Shares

=



NAV per share

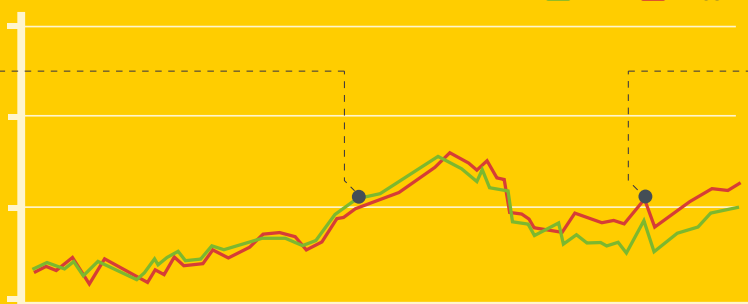
THE SHARE PRICE

The share price of a trust is affected by supply and demand, whilst the NAV is determined by the value of assets. As a result, there can be a difference between the NAV and the share price.

NAV Price

A

If the NAV is £1, but shares are priced at 95p, then the trust's share are trading at a 5% discount.



B

If the NAV is 85p, but shares are priced at £1, then the trust's share are trading at a 15% premium.

PREMIUMS AND DISCOUNTS

BUYING AT A PREMIUM



When a trust's share price is greater than the value of the assets held in the company, it is known as a premium.

You are paying for the quality of the investment trust manager and the potential for the NAV to grow over time. This is similar to buying shares of a company on the prospect of future success and profits.

BUYING AT A DISCOUNT



When a trust's share price is less than its NAV it is known as a discount.

Many investors may choose to discount the discount when buying investment trust shares. Over a long time frame the premium and discount to NAV will have a limited effect on overall returns.