Alliance Trust Savings

YOUR QUICK GUIDE TO FUND STRUCTURES

Investment funds can be structured as open-ended (such as unit trusts and open-ended investment companies (OEICs)) or closed-ended (such as investment trusts). Here we take a look at the main differences between the two. Before recommending which fund (or funds) may be suitable for you, your adviser will take these structures into account.

OPEN-ENDED FUNDS (UNIT TRUSTS AND OEICS)	CLOSED-ENDED FUNDS (INVESTMENT TRUSTS)
The basics – Are not listed companies in their own right. – Issue shares or units to meet investor demand. – Prices are always based on the fund's net asset value (NAV) which is the value of its assets minus its liabilities. So the price reflects the performance of the fund. – An OEIC's assets are held for investors by an independent depository. – A unit trust's assets are held for investors by an independent trustee or depositary. – Investors redeem shares or units to take their money out.	**The basics** – Are listed companies in their own right. – Have a fixed number of shares in issue, listed and traded on the stock market. – Prices reflect supply and demand on the stock market and so could be at a premium or discount to the fund's actual NAV. – Own their assets and are run by a board of directors who, as for other listed companies, are there to look after shareholder interests. – Investors can't 'take their money out', but they can sell their shares on.
Pros – The price always reflects the value of the fund's holdings. While the value of those holdings can go down as well as up, this keeps things relatively simple and easy to understand. – Being able to issue shares and units on demand gives the manager flexibility. – There are restrictions on borrowing powers, avoiding the risk of increased volatility that can be caused if borrowing is used to help fund any investments.	**Pros** – Potential for investors to buy shares at a discount to the fund's NAV. – Good for more illiquid assets (like property, infrastructure and private equity) as the manager does not need to fund ongoing requests to take money out. – Can borrow more, offering increased potential to follow up opportunities. – Have more flexibility to manage the stream of income they pay to investors, which can help smooth returns through both good and leaner times.
Cons – A portion of the fund's assets need to be kept aside in cash or other liquid assets in order to meet ongoing redemption requests. – May have to block redemptions if demand is high, to protect assets and prevent a fire-sale. This is rare, but serious for investors if it does happen. – Restrictions on borrowing powers can reduce flexibility to get the most from investment opportunities.	**Cons** – As shares can trade at a discount or a premium to NAV this can add complexity when making decisions about when to buy or sell. – Ability to borrow more can lead to higher price volatility with gains and losses both potentially magnified by the use of that borrowing to help fund investments. – The liquidity of investment trust shares can reduce in periods of market volatility, making them harder to sell on.

Please be aware that the value of investments can fall as well as rise so you could get back less than you invest. Past performance is not a guide to future performance.
All investments carry an element of risk which may differ significantly. If you are unsure as to the suitability of any particular investment or product, you should seek professional financial advice.

alliancetrustsavings.co.uk

Alliance Trust Savings PO Box 164, 8 West Marketgait, Dundee DD1 9YP T +44 (0)1382 573737

Alliance Trust Savings Limited is registered in Scotland No. SC 98767, registered office, PO Box 164, 8 West Marketgait, Dundee DD1 9YP; is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, firm reference number 116115. Alliance Trust Savings Limited gives no financial or investment advice. 'Alliance Trust Savings', 'ATS' and 'AT Savings' are all brand names of Alliance Trust Savings Limited together with the 'Alliance Trust Savings' logo are owned by and used with the permission of Alliance Trust PLC, the previous owner of Alliance Trust Savings Limited. Calls may be recorded for training and monitoring purposes.

PS ATS GEN FA 0023 (11063)