



Keeping up in changing times

Why investment trusts are still relevant today

March 2018

Alex Denny
Head of Investment Trusts



150 Years of Investment Trusts

Happy birthday to Foreign & Colonial & The Investment Company



- 1868** – Foreign & Colonial
The Investment Company
- 1873** – Dunedin Income & Growth
Scottish American
- 1881** – JPMorgan American;
Mercantile
- 1884** – JPMorgan Global Growth & Income
Scottish Investment Trust
Henderson Smaller Companies
- 1888** – Alliance Trust; Bankers Trust
...and seven more launched before 1900

Contents

Investing for the future

What is an Investment Trust?

How do they work?

Why and when should I use them?

But aren't they risky?

How to invest?

The value of investments can go down as well as up so you may get back less than you invest. This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to an authorised financial adviser. This document may not be reproduced or circulated without prior permission. No statements or representations made in this document are legally binding on Fidelity or the recipient.

Investing for the future



We are all investors...

Investment trusts can be used when investing for:

Retirement



Children



A house



Or another goal



ISA or Investment Account (IA)

SIPP
Lifetime ISA
Other pension

Growth Phase
Drawdown
Retirement income

Junior ISA
Child Trust Fund
Junior SIPP

18th birthday
University
• Income
• Fees
Pension!

Lifetime ISA

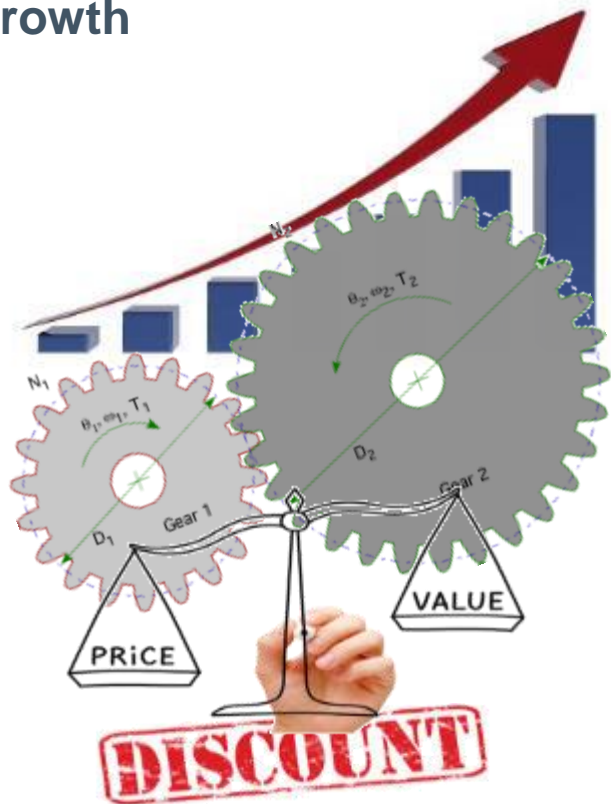
LISA – first time buyers up to £450k
REITs or Equities?

Investment bonds
Other wraps

Regular savings
Dividend reinvestment

Please note: Withdrawals from a pension product will not be possible until you reach age 55. Withdrawals from a Junior ISA will not be possible until the child reaches age 18. Withdrawals from a Junior SIPP will not be possible until the child reaches age 55.

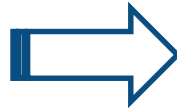
Investing for? Growth



Income



What is an investment trust



What is an investment trust?

Is it a company?



Is it a fund?



It's both...

Reference to specific securities should not be construed as a recommendation to buy or sell these securities and is included for the purposes of illustration only.

Investment Company Overview



...are collective funds which invest in other shares and assets



...issue shares that are traded on a stock exchange (e.g. LSE)

plc

...are companies in their own right



...have a fixed number of shares



...can borrow or issue debt



...have an independent board of directors

How do they work?



Investment trust characteristics

Where do investment trusts invest?



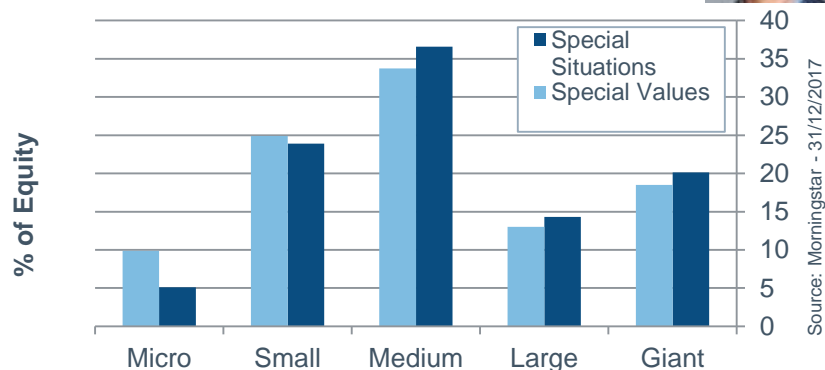
No creations/redemptions = broader range of investable assets

Portfolio Comparisons

Managers with Investment Trust and Open-Ended fund portfolios

Alex Wright

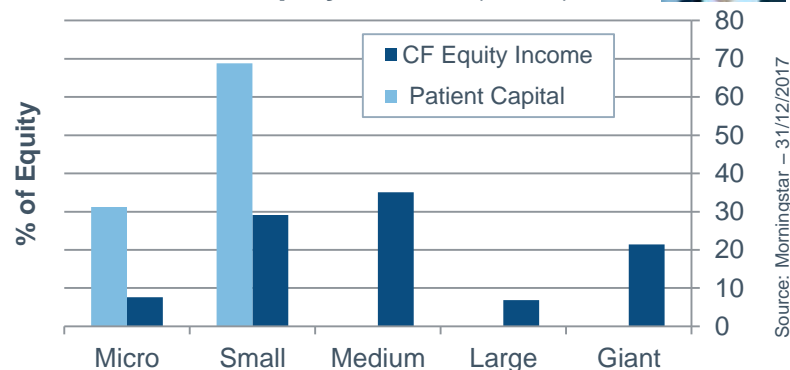
- Fidelity Special Values (Inv Trust)
- Fidelity Special Situations (OEIC)



- Similar value-driven approach for both portfolios – but adjusts to make fuller use of investment trust structure:
 - Greater use of illiquid, small and micro-cap stocks and investment into unlisted companies pre-IPO
 - Use of gearing in the trust

Neil Woodford

- Woodford Patient Capital (Inv Trust)
- CF Woodford Equity Income (OEIC)

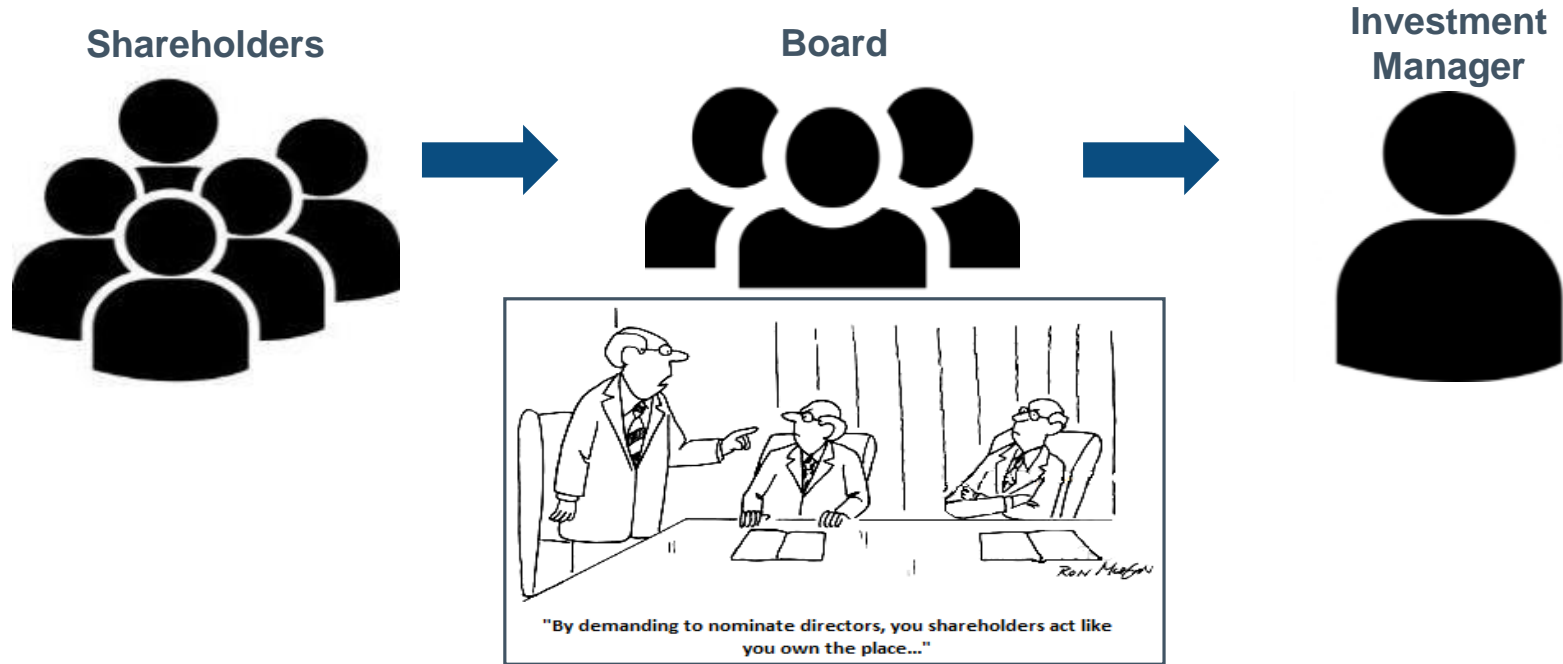


- Manager takes very different approach to managing the two portfolios:
 - Larger-cap liquid stocks for income in the OEIC
 - Investing only in small-, micro-cap or unlisted stocks to deliver capital growth in the investment trust.

Shareholder interests looked after by Company Board

A clear chain of accountability

Unlike with open-ended funds, an underperforming management company can be removed



Reinvention avoids dogs...

Alliance Trust appoints
Towers Watson

British Assets becomes
Blackrock Income Strategies

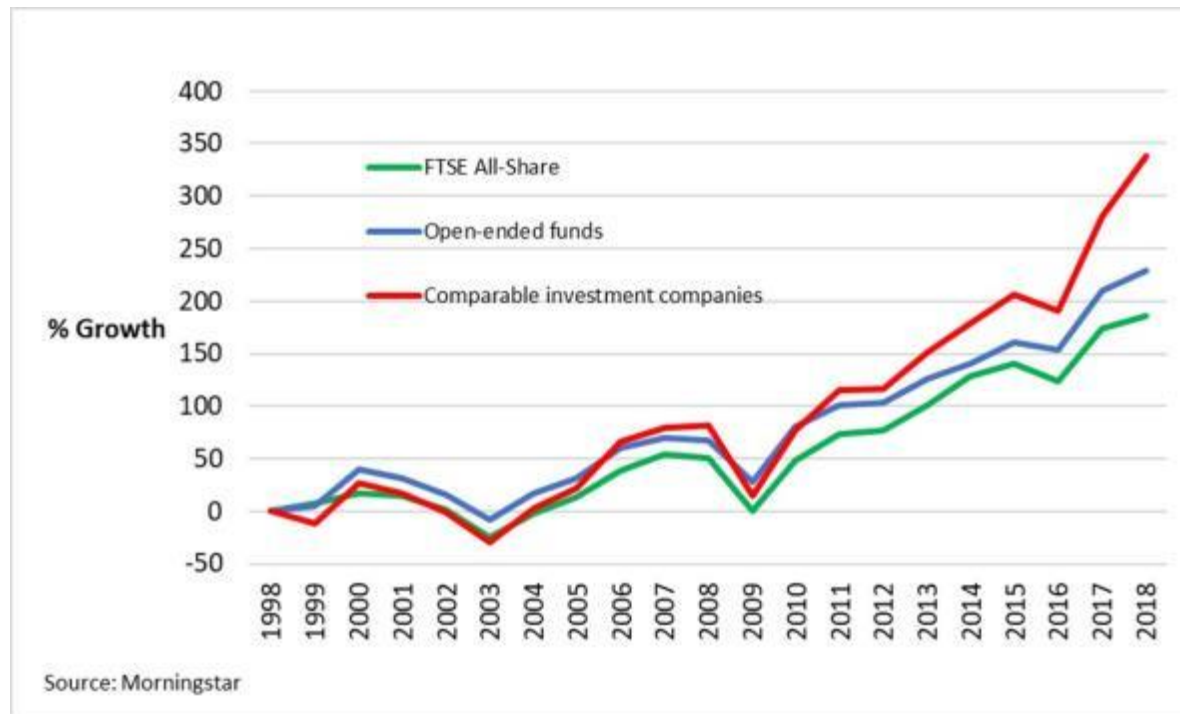
Blackrock Income Strategies
moves to Aberdeen

Fidelity Asian Values appoints
Small Cap Manager – Nitin Bajaj



Strong investment trust historical performance

Compared with Open Ended Funds



Past performance is not a reliable indicator of future results

Data to 28 Feb 2018

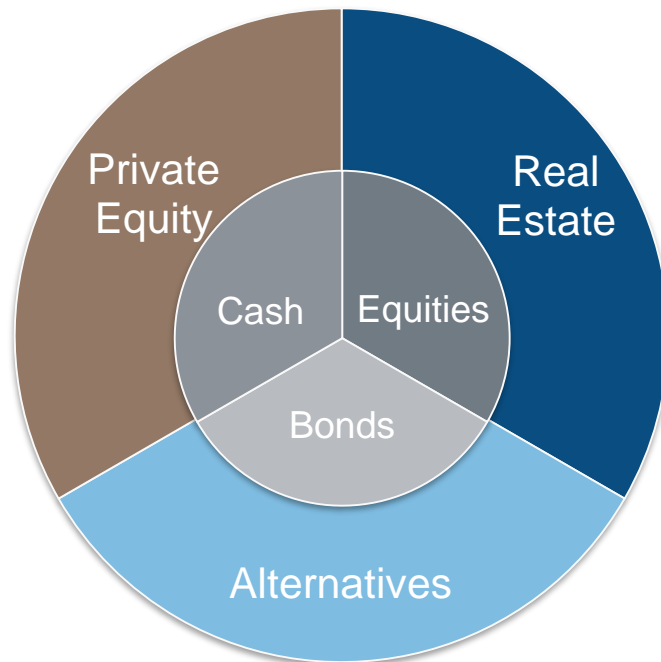
Why and when should I use them?



Spreading risk through diversification

By accessing obviously uncorrelated assets

Supplement core portfolio with other, illiquid assets



What role can investment companies play when you build a portfolio?



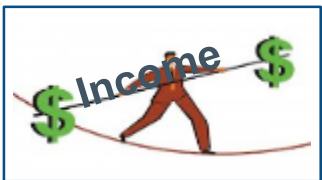
Important part of mainstream investment universe



Long-term capital growth



Asset diversification



Income growth and consistency

“Dividend Heroes”

Investment Trusts with long histories of increasing dividends

Company	AIC sector	Number of consecutive years' dividend increased
City of London Investment Trust	UK Equity Income	51
Bankers Investment Trust	Global	51
Alliance Trust	Global	51
Caledonia Investments	Global	50
F&C Global Smaller Companies	Global	47
Foreign & Colonial Investment Trust	Global	47
Brunner Investment Trust	Global	46
JPMorgan Claverhouse	UK Equity Income	45
Murray Income	UK Equity Income	44
Witan Investment Trust	Global	43

Past performance is not a reliable indicator of future results. Source: AIC – March 2018

Top Selling Investment Trusts

Through Fidelity Personal Investing

Instrument Name	Universe	Investing For
Scottish Mortgage Investment Trust PLC	Global	Growth & Income
Fidelity China Special Situations PLC	Asia (inc Unlisted)	Growth
Baillie Gifford Shin Nippon PLC	Japan	Growth
TR European Growth Trust PLC	Europe	Growth
Fidelity Special Values PLC	UK	Growth
Worldwide Healthcare Trust PLC	Specialist	Growth & Income
Foreign & Colonial Investment Trust	Global	Growth & Income
Monks Investment Trust	Global	Growth
City of London Investment Trust	UK	Income & Growth
Woodford Patient Capital	UK (inc Unlisted)	Growth

Source: Fidelity Personal Investing based on 1-year gross sales to 28 February 2018

But aren't they risky?



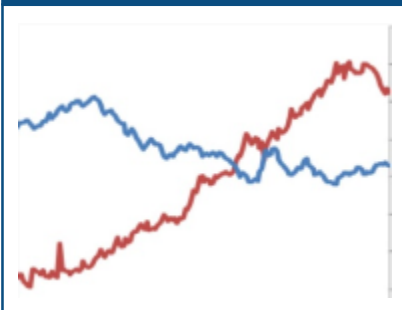
Potential risks of investment trusts

It is important investors understand the risks involved

Liquidity



NAV/Share Px



Gearing



Volatility



All investments carry risk

Ways of Mitigating Risks



Board of Directors

- Introduce discount control mechanisms (such as share buy backs)
- Set guidelines and limits on the use of gearing and maximum market exposures



Investors (you!)

- Be aware of discounts and premiums – check the level of discount before buying or selling
- Be prepared to invest over the longer-term

How to invest?



Available through most platforms and advisers

- Available on most platforms including Fidelity Personal Investing
- To find out more please visit us on our stand today
- Expanding range of over 100 Investment Trusts from 40 Providers
- Latest brochure for Fidelity's own range of Investment Trusts
- Meet our experienced team of Relationship Managers



Pick up a copy of the 2018 Investment Trust Handbook

Limited copies available at the Fidelity stand



Thanks for listening!

Any questions?



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Appendix

Supply and demand

Liquidity and discounts / premiums



P/B Ratio

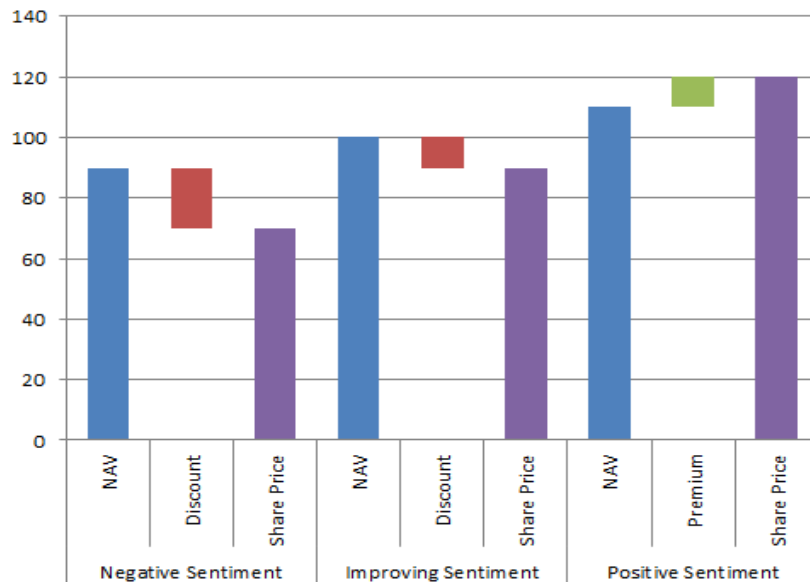
What Is A Price To Book Ratio?

Price To Book Ratio = $\frac{\text{Market Capitalization}}{\text{Total Book Value of Assets}}$

Price To Book Ratio = $\frac{\text{Price Per Share}}{\text{Book Value Per Share}}$

Price > NAV (book) = Premium

Price < NAV (book) = Discount



Effect of gearing

Borrowing money (or using derivatives) to increase market exposure

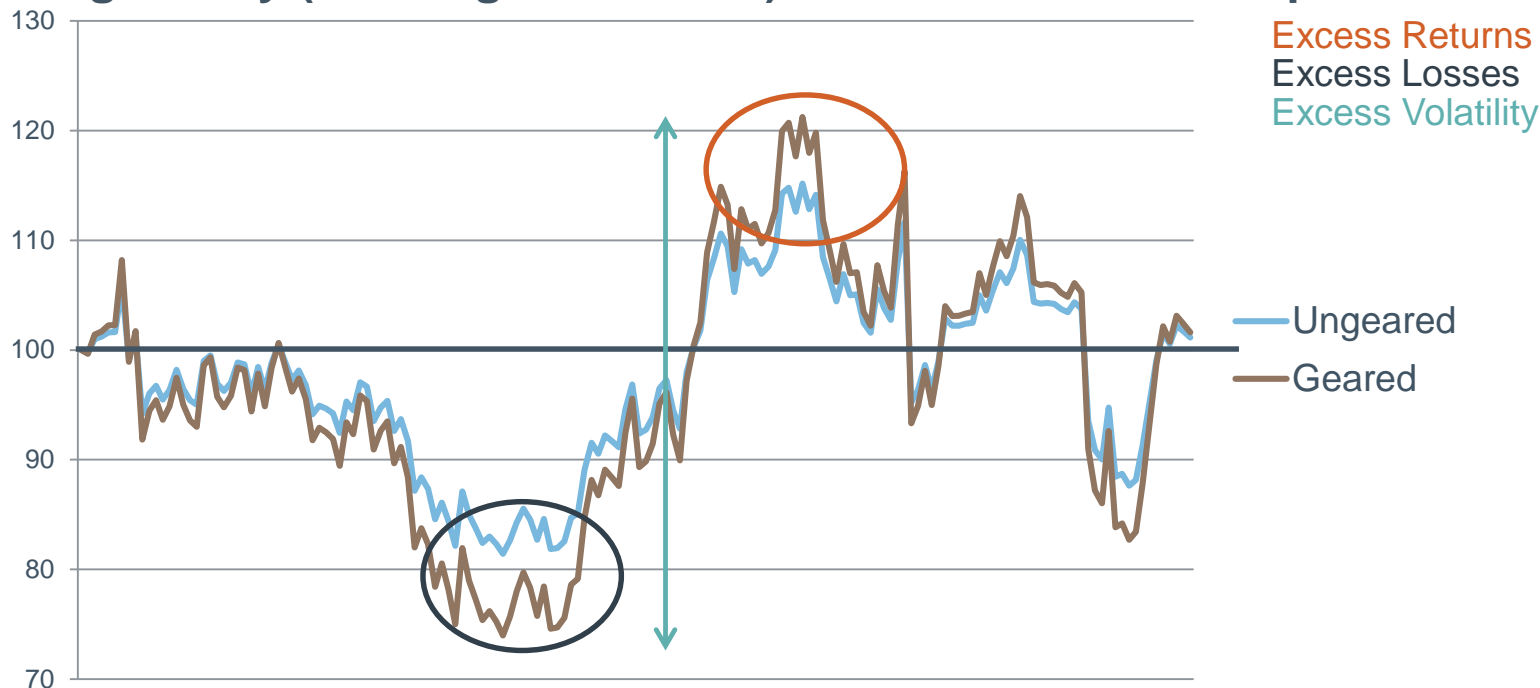


Chart indicative only and not based on real data

Income consistency

Ability to smooth or guarantee dividends

Using income reserves and payments from capital to smooth dividends / yields

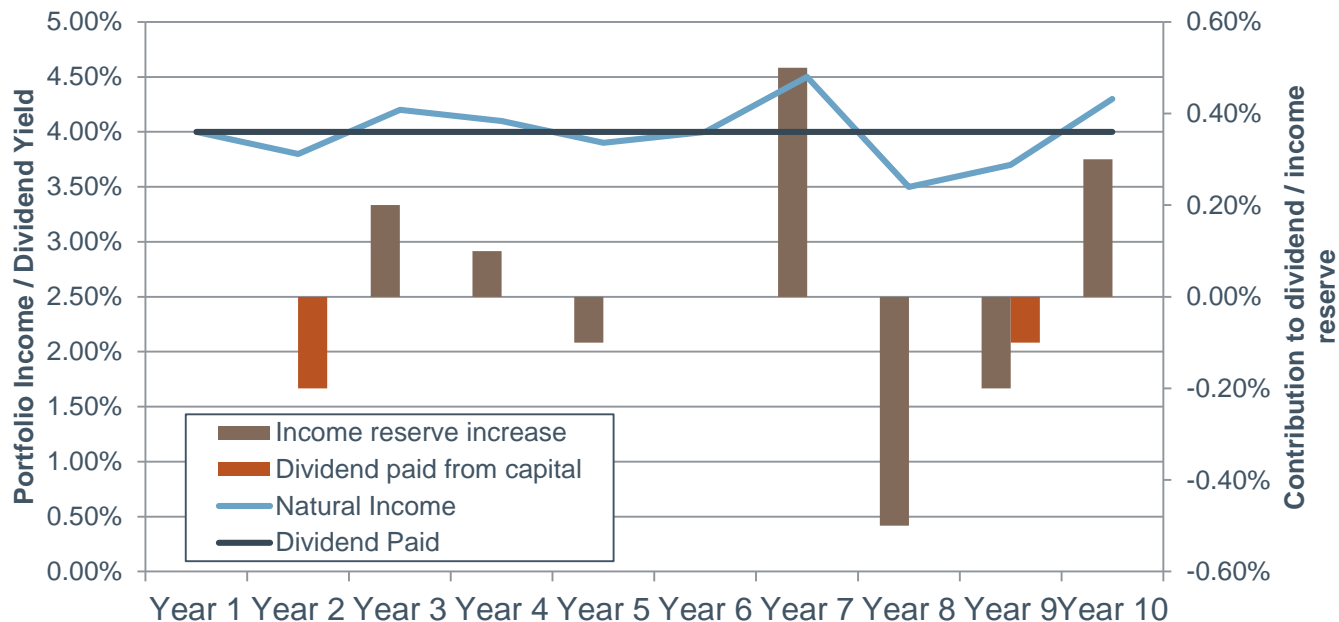


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