

Changing investor behaviour



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● **Warming to investment trusts...**

Investment trusts have been around much longer than other types of investment funds and the oldest celebrates its 150th anniversary this year. Historically they have always been less well known than their open-ended cousins (OEICs and unit trusts), but they all share the same goal of generating positive returns for investors.

Investment trusts are public limited companies, just like the shares of the companies in which they invest, with an independent board of directors. They can borrow money ('gearing') which can boost returns but may magnify losses if the underlying investments lose value. And, for income-seekers, trusts can build up dividend reserves to bolster dividend payments in tricky times – for example, during 2008's global financial crisis.

Two of our trusts are proven 'dividend heroes'. The Merchants Trust invests mainly in larger UK companies and is a true income-seeker. It has paid rising dividends for 36 years. The Brunner Investment Trust seeks out global opportunities for growth and dividends, and has paid rising dividends for even longer – 46 consecutive years. Seasoned private investors have long been fans of investment trusts, but their retail profile has risen materially lately. After decades of being regarded as 'the City's best kept secret', what has triggered this fresh source of demand?

The search for income may be one explanation. Or the need for personal pension provision. But changing investor behaviour is probably the key driver: private investors are increasingly researching and making their own investment decisions. Many go on to buy investment trusts, primarily through online trading platforms, where it's become easier to access investment trusts.

Fund performance matters too, of course. Allianz Technology Trust offers access to an exciting, fast-moving but volatile sector. It is managed by an experienced San Francisco-based team, at the heart of 'all things tech'. This trust is multi-award-winning, which hasn't gone unnoticed by private investors, who are now holding a massive 78% of the trust's shares.

It's fascinating to see how investment trusts have adapted to investors' needs over time but also how, in many respects, nothing much has changed. Although present day trusts have very different strategies to those of 1868, they still set out to deliver solid returns to investors. And it's certainly good to see the self-directed private investors of 2018 taking note!

To find out more, visit www.allianzglobalinvestors.co.uk

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