What is an Investment Trust?
A guide to Investment Trusts from the Association of Investment Companies

So what are investment companies, sometimes better known as investment trusts, and how do they work? Our reporter has been finding out more.

An investment company is a fund which pools money from investors, and then invests this across a wide range of different investments in order to spread the risk. They have professional fund managers who look after this portfolio and aim to maximise your returns.

Ian Sayers, Director General, AIC
"We've got investment companies in a wide range of different sectors. So for example, if you're a younger person looking to build up capital for your retirement, there are plenty of funds that are in sectors which concentrate on growth. Obviously, if you're a little bit later in life, trying to generate an income for investments, then investment companies have got an incredibly positive story to tell, with companies that have been able to maintain and increase their dividends, quite literally, for decades."

Investment companies are owned by, and run for, their shareholders. They have an independent board of directors to look after your interests.

Simon Elliott, Head of Research, Winterflood Investment Trusts
"Quite a powerful feature of investment trust companies. It means there is somebody there, looking after your interests, which if you're a relatively small retail investor, I think can give you a lot of confidence."

Jeff Prestridge, Personal Finance Editor, Mail on Sunday
"The boards do control the investment managers. The investment managers are accountable."

Annabel Brodie-Smith, Communications Director, AIC
"They also look at performance and monitor performance, and can make changes if that's not going well."

The presence of an independent board is one of the reasons why investment companies can have lower charges than other comparable funds.