Investment Trusts

Structure and Features of Investment Trusts

Product Structure

An investment vehicle that is made up of a pool of funds collected from many investors. The professional manager (management company) uses the money to invest in equities, bonds, etc. An investment trust is also called a “fund.”

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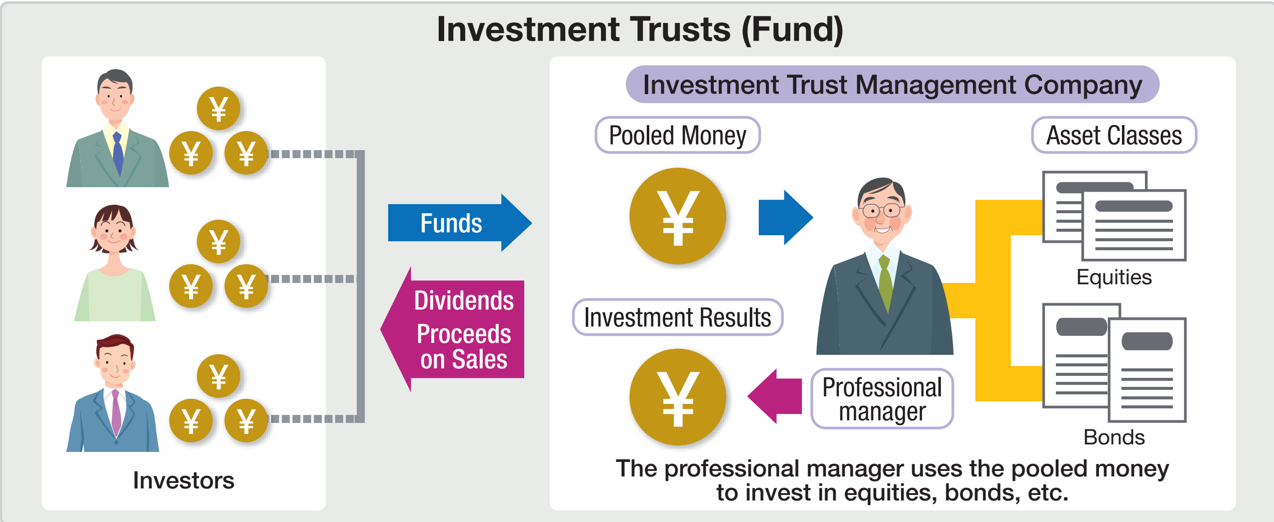


For example, diversified investment through purchasing various equities requires a sizable sum of money. An investment trust invests a sum of money gathered from many investors, and thus can conduct diversified investment even though each individual’s invested amount is small.

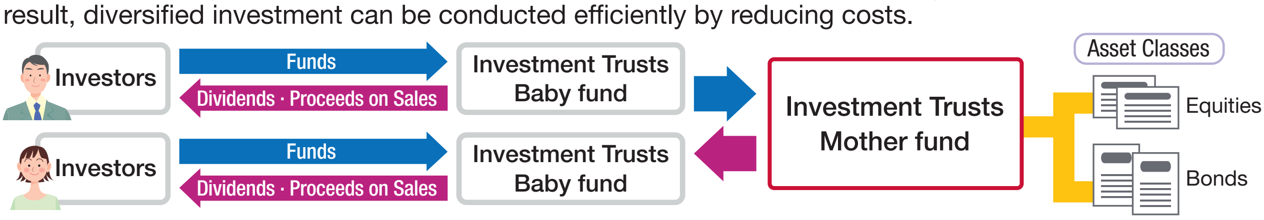
Expected return Dividends, profits/losses on sales

- **Definition of the term “dividend”:**
  Part of a profit derived from investing may be returned to the investors. This is called a “dividend”. When dividends are paid in a DC plan, they will be automatically reinvested in the same product (purchasing the same product).

Asset protection The roles of sales, investment and management of assets are clearly separated in an investment trust, and the management company (investment trust management company) does not hold assets.
The assets are managed as trust assets by a trustee (trust bank, etc.) separately from those of the trust bank, etc. Even if the trust bank goes bankrupt, the assets will be protected at market price. However, the amount of loss from investment is out of the scope of protection.

Family funds method

This method invests in an investment trust called the “mother fund,” rather than directly investing in equities, bonds and the like. As shown by the name of “mother,” this investment method collectively invests amounts gathered in investment trusts (baby funds) of the same management company. As a result, diversified investment can be conducted efficiently by reducing costs.



Fund of funds method

This is an investment method in which a fund invests in other types of funds.Under this method, an appropriate combination of a variety of funds offered, not only by the same management company but by different companies, are wrapped into one fund. The specialists choose and combine funds with different risk characteristics, therefore the effect of diversified investment can be expected. Asset management fees for the underlying funds will also be borne by the participant indirectly.

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