THE SCOTTISH Investment Trust

Monthly Factsheet
July 2018

ALASDAIR MCKINNON

As the US 'holiday week' got underway and investors awaited second-quarter earnings reports, equity markets made their traditionally quiet start to July. As the month progressed, however, markets got into gear, finishing 3.7% higher despite persistent trade tensions and political uncertainty. Although President Trump threatened to impose levies on all Chinese goods, there was a thaw in relations with Europe as the US and the EU agreed to move towards zero tariffs.

With the trade-war rhetoric weighing on commodity prices, energy and materials stocks underperformed. Information technology also lagged, hindered by some high-profile share-price falls. The strongest sectors were healthcare and industrials.

Emerging markets performed particularly well, especially in Latin America. In Mexico, Andrés Manuel López Obrador, known as AMLO, was elected president but sought to reassure markets nervous about his leftist policies. In Brazil, several centrist parties threw their support behind Geraldo Alckmin as presidential candidate, increasing the chances of a market-friendly outcome in October's election. Meanwhile, hopes increased that the US and Mexico would strike a NAFTA deal in August. In contrast, the intensifying Sino-US trade tensions put pressure on Asian markets. The UK also underperformed, as the government's Brexit plans ran into more trouble.

Japan's central bank was rumoured to be planning to alter its monetary policy to help the banking sector, where profits have been hampered by low rates. Speculation grew that they would be offered a reprieve, possibly through an alteration to the Bank of Japan's yield-curve control policy. However, the central bank defied those expectations by reiterating its commitment to "extremely low" interest rates for an "extended period".

In a difficult month for technology stocks, Facebook lost around a fifth of its value after announcing disappointing results. The $120 billion drop was among the largest one-day losses in stock-market history. We have often highlighted the potential pitfalls of popular, unregulated businesses such as Facebook and instead prefer to focus on stocks that are underappreciated but have the potential for positive surprises.

Gold stocks are a case in point. Gold has performed poorly in recent years but its prospects look more interesting given recent political and stock-market volatility, which should favour 'safe-haven' assets. Gold has proven itself as an effective inflation hedge over the long term, so rising inflationary pressures could also lend support.

> "everything is cyclical"

We have exposure to gold through Newcrest Mining and Newmont Mining. Newmont, the world's second-largest gold miner by production and reserves, has one of the strongest balance sheets in the industry and is using its financial strength to advance new projects and pay larger dividends. Newcrest primarily operates in Australia and Papua New Guinea. Despite already being one of the most efficient gold miners, Newcrest is improving productivity and cutting costs to insulate itself against metal-price volatility. It has recently re-introduced dividend payments, which is usually a positive signal.

As the slide in Facebook reminds us, everything is cyclical. Companies such as Newcrest and Newmont offer considerable opportunities when their cycles turn – and exemplify the out-of-favour stocks that we seek out for our investors.

Performance

Total return on £100 to 31 July 2018	6 months	1 year	3 years	5 years	10 years
Share price (1)	104.8	111.4	153.2	170.6	246.8
NAV per share (2)	108.1	112.7	153.0	167.3	244.7
MSCI All Countries World Index	105.3	111.5	153.8	178.1	280.6
MSCI UK All Cap Index	104.6	109.1	130.2	143.6	219.8

Summary balance sheet

	31/07/2018	29/06/2018	Total return
Market capitalisation	£688m	£685m	
Total assets	£869m	£856m	
Borrowings at amortised cost	£84m	£84m	
Net assets (3)	£784m	£771m	
NAV (2) per share	981.0p	959.9p	2.7%
NAV (3) per share	1,007.8p	986.8p	2.6%
Share price	885.0p	877.0p	1.5%

(1) Net income reinvested and before expenses are deducted.

(2) With borrowings at market value (3) With borrowings at amortised cost

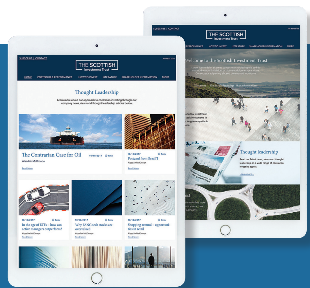
The figures refer to the past and past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations. You may not get back the amount you invest. Exchange rate changes may cause the value of non-sterling investments to go down as well as up.

Company information

Company founded	1887
Manager	Alasdair McKinnon
Ongoing charges figure (OCF)	0.49%
Dividend yield	2.3%
Number of listed holdings	53
Gearing (2)	3%
Discount to NAV (2)	9.8%

The Company's discount policy aims, in normal market conditions, to maintain the discount to NAV at or below 9%.

Link to our **Annual and Interim Reports**



Contact US ...to get in touch and find out more

info@thescottish.co.uk 0131 225 7781
The Scottish Investment Trust PLC, 6 Albyn Place, Edinburgh EH2 4NL

www.thescottish.co.uk

@ScotInvTrust **The Scottish Investment Trust PLC**

Our Objective

To provide investors, over the longer term, with above-average returns through a diversified portfolio of international equities and to achieve dividend growth ahead of UK inflation.

Our High Conviction, Global Contrarian Investment Approach

- We are contrarian investors.
- We believe markets are driven by cycles of emotion rather than dispassionate calculation. This creates profitable investment opportunities.
- We take a different view from the crowd.
- We seek undervalued, unfashionable companies that are ripe for improvement.
- We are prepared to be patient.
- We back our judgement and run a portfolio of our best ideas, selected on a global basis.
- Our portfolio is unlike any benchmark or index and we fully expect to have differentiated performance.
- Our approach will not always be in fashion but we believe it delivers above-average returns over the longer term, by which we mean at least five years.

Link to more about our philosophy, approach and process

Top 10 holdings (31 July 2018)

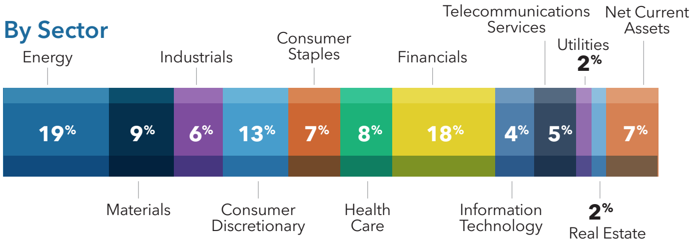
Holding	Sector	Country	£m	%[4]
Tesco	Consumer Staples	UK	39.3	4.5
GlaxoSmithKline	Health Care	UK	30.4	3.5
Suncor Energy	Energy	Canada	29.5	3.4
Macy's	Consumer Discretionary	US	28.4	3.3
Newcrest Mining	Materials	Australia	27.7	3.2
Gap	Consumer Discretionary	US	27.0	3.1
Royal Dutch Shell	Energy	UK	27.0	3.1
Standard Chartered	Financials	UK	25.5	2.9
ING	Financials	Netherlands	24.9	2.9
Pfizer	Health Care	US	24.7	2.8
Aggregate of top 10 holdings			**284.4**	**32.7**

Link to a full list of holdings

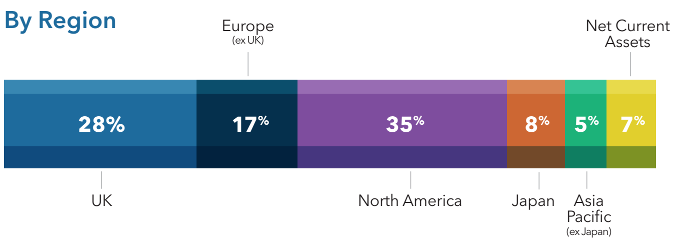
[4] Percentage of total assets

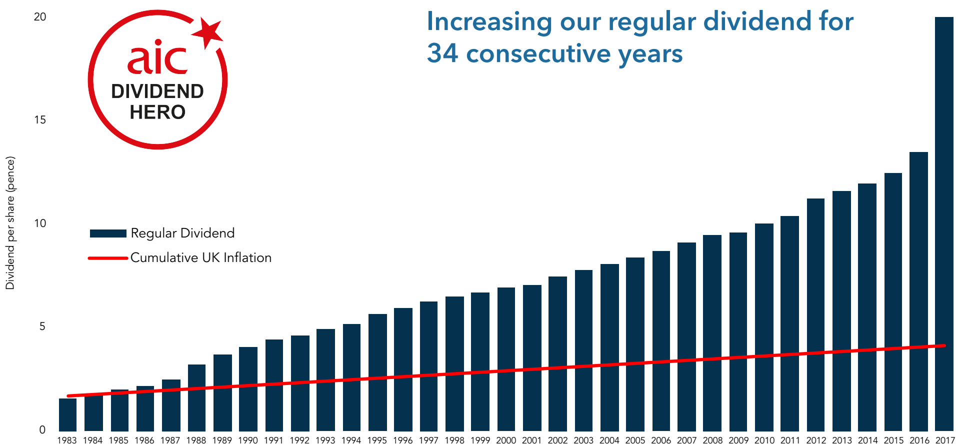
Distribution of total assets (31 July 2018)

By Sector



By Region





QUARTERLY DIVIDEND PAYMENT

FIRST INTERIM	May
SECOND INTERIM	August
THIRD INTERIM	November
FINAL	February

IMPORTANT INFORMATION

Please remember past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations. You may not get back the amount you invest.

The Scottish Investment Trust PLC (the Company) is not authorised to give financial advice. This information should not be considered an offer, invitation, recommendation or solicitation to deal in investments. The Company has a long-term policy of borrowing money to invest in equities ('gearing') in the expectation that this will improve returns but should stockmarkets fall, such borrowings would magnify losses on these investments. SIT can buy back and cancel its own shares. All other things being equal this would have the effect of increasing gearing.

All sources the Scottish Investment Trust unless otherwise stated.

Issued and approved by SIT Savings Ltd, registered in Scotland No: SC91859. Registered office: 6 Albyn Place, Edinburgh, EH2 4NL.
Authorised and regulated by the Financial Conduct Authority.
Telephone: 0131 225 7781 | Email: info@thescottish.co.uk | Website: www.thescottish.co.uk