THE SCOTTISH Investment Trust

Monthly Factsheet
July 2019

ALASDAIR MCKINNON

The world's stockmarkets continued to rise in July. The start of the second-quarter earnings season played a part, as many companies beat analysts' muted expectations. But the main factor was the widely anticipated development on the last day of the month, when the US Federal Reserve cut its benchmark interest rate for the first time since 2008.

Although there had been speculation about a 50 basis point cut, the Fed opted for a reduction of just 25 basis points. The move was accompanied by some hawkish guidance from Fed Chair Jay Powell who described the cut as a "mid-cycle adjustment", implying that further easing is not a given. In response, the US stockmarket dipped in the closing hours of the month. Other major central banks indicated that they could take similar action. This came as concerns mounted about the health of the global economy and as trade negotiations between the US and China appeared to falter.

> "mid-cycle adjustment"

Those trade negotiations had resumed in Shanghai towards the end of the month. However, the fragile truce, established at the G20 summit at the end of June, soon came under strain as President Trump spoke out against what he saw as China reneging on its promises to buy US agricultural products.

In the UK, Boris Johnson's appointment as prime minister heightened concerns about a no deal Brexit, given his repeated statements that the UK will leave by 31 October. In consequence, sterling had its worst month since October 2016.

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The anxiety over Brexit meant that the UK and European markets were relatively weak, although they still produced positive returns. The strongest market was the US, helped by the robust performance of its technology stocks. Japan and Latin America also did well, with the latter boosted by progress in Brazil's pension reforms.

The best performing sectors were information technology and communication services. These segments are home to many of the fashionable growth stocks that typically find favour when lower interest rates are expected. After the US agreed to lift its ban on US companies selling components to Chinese telecommunications giant Huawei, semiconductor manufacturers also performed well. The main laggards were economically sensitive sectors such as energy and materials, as investors continued to worry about the global growth outlook. Despite heightened tensions in the Persian Gulf, macroeconomic pessimism drove the oil price down over the month.

Among the companies reporting solid results in July was GlaxoSmithKline, one of our "ugly duckling" investments. The company has been undergoing a transformation under the leadership of Emma Walmsley, since her appointment as chief executive in 2017. Having merged its well-known consumer brands with those of its US counterpart Pfizer, Glaxo is refocusing on its core pharmaceuticals business. It is seeking to reinvigorate growth by boosting the productivity of its research. While these changes take shape, the shares reward us with an attractive dividend.

Performance

Total return on £100 to 31 July 2019	6 months	1 year	3 years	5 years	10 years
Share price [1]	108.6	98.2	137.4	167.2	280.4
NAV per share [2]	108.1	96.2	129.7	162.2	271.6
MSCI All Countries World Index	116.1	110.3	145.0	188.8	328.1
MSCI UK All Cap Index	110.5	101.2	126.3	137.4	249.7

Summary balance sheet

	31/07/2019	28/06/2019	Total return
Market capitalisation	£629m	£621m	
Total assets	£798m	£794m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£713m	£709m	
NAV [2] per share	916.8p	905.0p	1.9%
NAV [3] per share	954.5p	938.5p	2.3%
Share price	842.0p	823.0p	3.0%

[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)	0.52%
Dividend yield	2.5%
Number of listed holdings	50
Gearing/(net cash) [2]	0%
Discount to NAV [2]	8.2%

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

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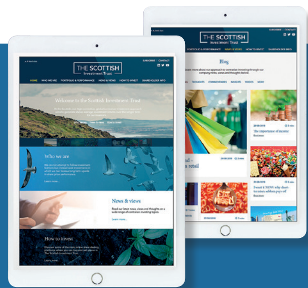


ABOUT THE SCOTTISH

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 2019)

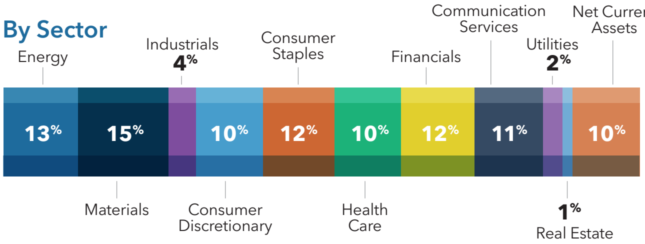
Holding	Sector	Country	£m	%[4]
Newcrest Mining	Materials	Australia	44.6	5.6
Tesco	Consumer Staples	UK	33.7	4.2
GlaxoSmithKline	Health Care	UK	32.8	4.1
Newmont Goldcorp	Materials	US	30.3	3.8
Barrick Gold	Materials	Canada	30.2	3.8
Target	Consumer Discretionary	US	28.8	3.6
Royal Dutch Shell	Energy	UK	26.3	3.3
Pfizer	Health Care	US	25.7	3.2
PepsiCo	Consumer Staples	US	20.6	2.6
ING	Financials	Netherlands	19.5	2.4
Aggregate of top 10 holdings			**292.5**	**36.6**

Link to a full list of holdings

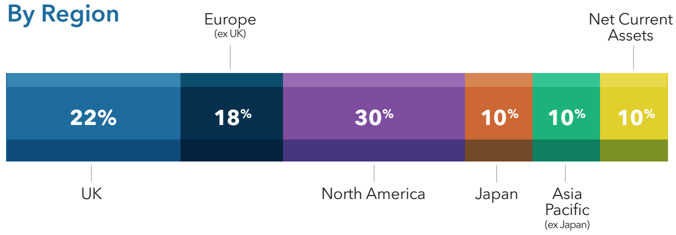
[4] Percentage of total assets

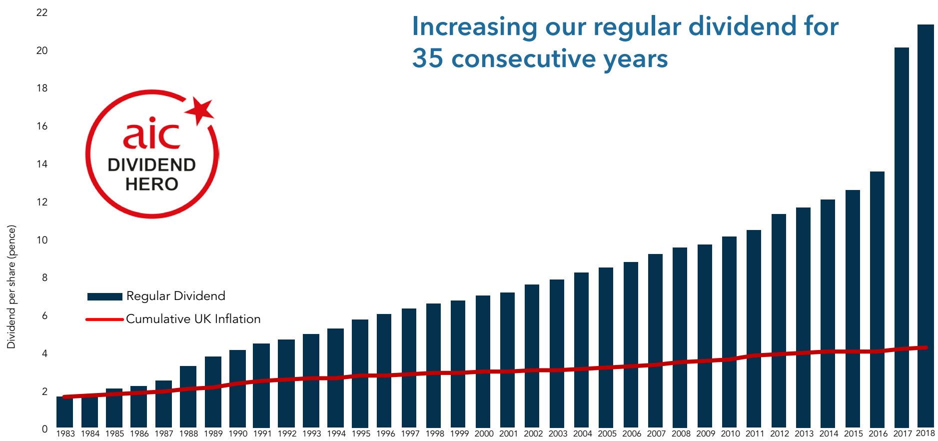
Distribution of total assets (31 July 2019)

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.

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