THE SCOTTISH Investment Trust

Monthly Factsheet
August 2019

ALASDAIR MCKINNON

Hurt by renewed trade hostilities between the US and China, the world's stockmarkets declined in August. As investors registered their concerns over the implications for the global economy, bond yields fell sharply.

Hopes that the US-China trade truce would hold were dashed as the US imposed additional tariffs on $300 billion of Chinese goods. There was, however, a slight reprieve when this was postponed until after the holiday season. China retaliated with new tariffs, prompting President Trump to order US companies "to immediately start looking for an alternative to China". The practical implications of this decree were unclear. On top of that, China allowed the yuan to fall below the symbolic level of CNY7 to the dollar, prompting fears of competitive currency devaluations.

As bond yields moved in and out of inversion (a strong, though not infallible, signal of recession), the world's central bankers gathered at Jackson Hole in Wyoming. Jay Powell, chair of the Federal Reserve, reiterated that the US central bank would act to prevent recession. This was not enough, however, to appease President Trump, who took to Twitter to ask, "Who is our biggest enemy, Jay Powell or Chairman Xi?".

The oil and gold prices performed inversely over the month, with gold gaining as oil fell. Gold is one of our favoured contrarian positions and has benefited from the growing economic concerns.

In equity markets, Latin America was the weakest region. This was on fears about the global outlook and in response to an election upset in Argentina, where the populist presidential candidate Alberto Fernández established a clear lead in the first round of voting. The UK was also weak, as Boris Johnson took steps to suspend parliament, apparently increasing the likelihood of a no deal Brexit. The UK's GDP declined by 0.2% in the second quarter, the first contraction in seven years. Asian markets underperformed too, hurt by the heightened trade tensions and despite additional stimulus pledges from China. The Japanese market was more of an exception; although all markets declined over the month, Japan's safe haven status allowed it to remain relatively unscathed.

> "retail stocks offered some bright spots"

Sector returns reflected markets' more nervous tone, with traditionally defensive sectors such as utilities and consumer staples performing best. Cyclicals such as energy, financials and materials were the biggest losers. Despite the gloom, US retail stocks offered some bright spots on the back of better consumption data and encouraging earnings reports from a several large retailers.

We hold Target, one of the largest US discount retailers. Although traditional 'bricks and mortar' retailers have fallen out of favour with investors in the face of fierce online competition, we believe that some retailers can adapt and thrive in the long-term. Target looks well positioned to do this. It is investing in its physical and digital stores to maintain its strong competitive position. Its second quarter results demonstrated that these efforts are increasing sales and improving profits margins. The shares finished the month 24% higher – rewarding our faith in this overlooked stock.

Performance

Total return on £100 to 31 August 2019	6 months	1 year	3 years	5 years	10 years
Share price [1]	103.7	96.6	127.9	158.5	258.2
NAV per share [2]	105.9	97.1	125.4	155.5	257.3
MSCI All Countries World Index	112.2	106.4	139.9	178.3	305.6
MSCI UK All Cap Index	103.7	99.6	120.0	129.0	220.6

Summary balance sheet

	31/08/2019	31/07/2019	Total return
Market capitalisation	£605m	£629m	
Total assets	£785m	£798m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£700m	£713m	
NAV [2] per share	902.8p	916.8p	-1.5%
NAV [3] per share	941.6p	954.5p	-1.4%
Share price	814.0p	842.0p	-3.3%

[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	2.6%
Number of listed holdings	50
Gearing/(net cash) [2]	(2%)
Discount to NAV [2]	9.8%

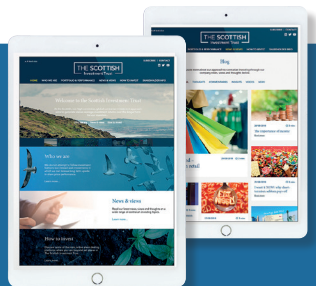
The Company's discount policy aims, in normal market conditions, to maintain the discount to NAV at or below 9%.

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 August 2019)

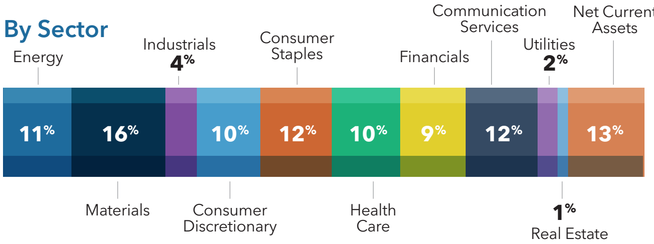
Holding	Sector	Country	£m	%[4]
Newcrest Mining	Materials	Australia	45.8	5.8
Barrick Gold	Materials	Canada	36.2	4.6
Target	Consumer Discretionary	US	35.8	4.6
Newmont Goldcorp	Materials	US	33.3	4.2
Tesco	Consumer Staples	UK	33.1	4.2
GlaxoSmithKline	Health Care	UK	32.9	4.2
Pfizer	Health Care	US	23.6	3.0
Royal Dutch Shell	Energy	UK	22.9	2.9
PepsiCo	Consumer Staples	US	22.1	2.8
East Japan Railway	Industrials	Japan	19.6	2.5
Aggregate of top 10 holdings			**305.3**	**38.8**

Link to a full list of holdings

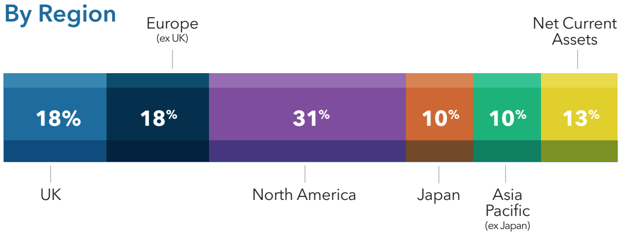
[4] Percentage of total assets

Distribution of total assets (31 August 2019)

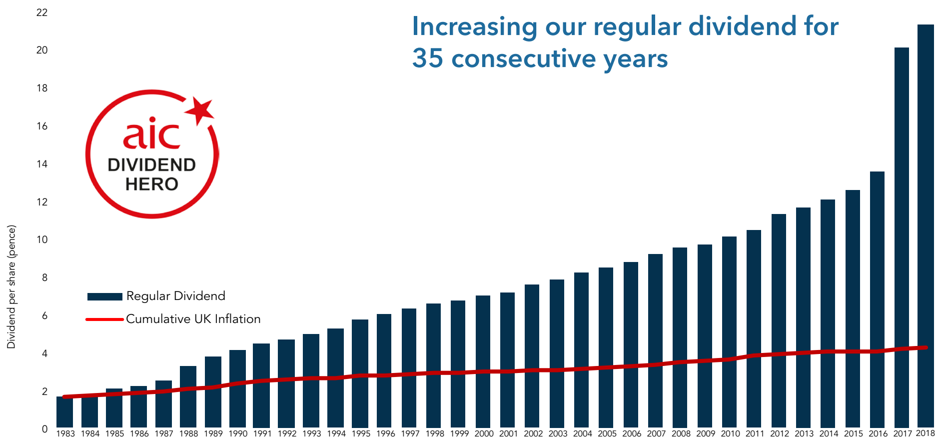
By Sector



By Region



Increasing our regular dividend for 35 consecutive years



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