THE SCOTTISH Investment Trust

Monthly Factsheet
October 2019

ALASDAIR MCKINNON

As the third quarter earnings season began well and the US Federal Reserve cut interest rates for the third time this year, stockmarkets hovered around record highs. However, the pound's strong rally against other currencies meant that much of this performance was lost for UK investors.

The rebound in sterling came as it appeared that the chances of a Brexit resolution had improved. Although Boris Johnson failed to meet his Halloween deadline, investors were heartened by the EU's decision to grant a 'flextension'. This gives Parliament time to hold a general election that may clear the way for a deal to be approved.

In the US, Federal Reserve officials signalled that October's rate cut would be the last for the time being as they wait to see how economic data unfolds. A Sino-US trade deal remains elusive but investors were encouraged by the prospect of an interim accord. However, China cast doubt on the likelihood of agreeing a final trade deal with President Trump. The looming US presidential election and the formal impeachment proceedings against the White House's current occupant appear to have galvanised Beijing's hopes for a more favourable outcome.

Japan was the month's strongest market, helped by hopes of further central bank stimulus though the Bank of Japan ultimately opted to take no action. With signs of progress in the Sino-US trade talks, Latin American markets were also strong. This was despite the election of populist candidate Alberto Fernandez in Argentina and civil unrest in Chile. Meanwhile, European shares were buoyed by the extension of the Brexit deadline. The weakest returns came from the UK, where many of the largest companies were hurt by the stronger pound, which can depress overseas earnings.

The best performing sector was healthcare, helped by positive results. These included those of our holding Pfizer, which lifted its full year earnings forecast after strong sales. Information technology was also strong; we have no exposure here as we believe that the sector's stretched valuations already reflect lofty expectations. Symbolically, the tech-orientated office rental business WeWork had to be rescued by major shareholder Softbank. To us, WeWork epitomises the folly of profitless growth that is currently in vogue with many other investors. The weakest returns came from energy stocks as the oil price softened.

Sterling's rebound in October highlighted the potential of the unloved UK market. We believe that many UK stocks have been sold down excessively on Brexit fears and we have several holdings where we see considerable potential for recovery as the economic outlook becomes clearer. Among them is British Land, one of our best performers in October. This is a UK listed real estate investment trust that focuses on prime UK office, retail and residential locations. British Land has responded to its challenges by strengthening its finances and concentrating its high quality portfolio in the properties with the best prospects. Its shares trade at a deep discount to the underlying value of its assets – we believe our holding will benefit as confidence is restored in UK assets.

“potential of the unloved UK market”

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Performance

Total return on £100 to 31 October 2019	6 months	1 year	3 years	5 years	10 years
Share price [1]	101.5	101.0	116.1	156.5	254.5
NAV per share [2]	100.7	100.6	112.8	151.9	243.0
MSCI All Countries World Index	103.7	111.2	130.2	174.0	296.4
MSCI UK All Cap Index	99.9	105.8	118.5	136.0	217.0

Summary balance sheet

	31/10/2019	30/09/2019	Total return
Market capitalisation	£596m	£614m	
Total assets	£762m	£789m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£677m	£704m	
NAV [2] per share	878.8p	914.1p	-3.3%
NAV [3] per share	916.2p	952.0p	-3.2%
Share price	807.0p	831.0p	-2.3%

(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	51
Gearing/(net cash) [2]	1%
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%.

*Calculated as at 31/10/18.

Link to our **Annual and Interim Reports**

Contact US …to get in touch and find out more

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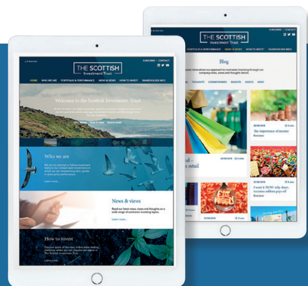


ABOUT THE SCOTTISH

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 October 2019)

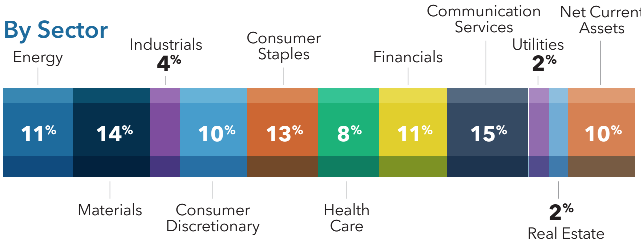
Holding	Sector	Country	£m	%[4]
Newcrest Mining	Materials	Australia	37.6	4.9
Tesco	Consumer Staples	UK	35.5	4.7
Target	Consumer Discretionary	US	33.7	4.4
Newmont Goldcorp	Materials	US	31.3	4.1
Barrick Gold	Materials	Canada	30.5	4.0
BT	Communication Services	UK	28.5	3.7
Pfizer	Health Care	US	24.0	3.2
Royal Dutch Shell	Energy	UK	22.4	2.9
Roche	Health Care	Switzerland	19.7	2.6
ING	Financials	Netherlands	18.6	2.4
Aggregate of top 10 holdings			**281.8**	**36.9**

Link to a full list of holdings

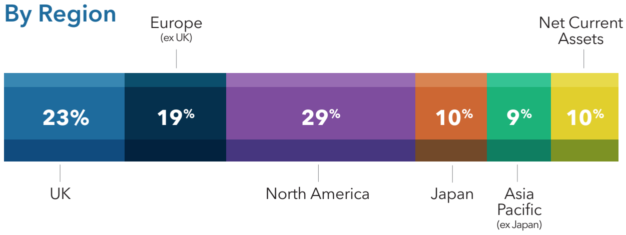
[4] Percentage of total assets

Distribution of total assets (31 October 2019)

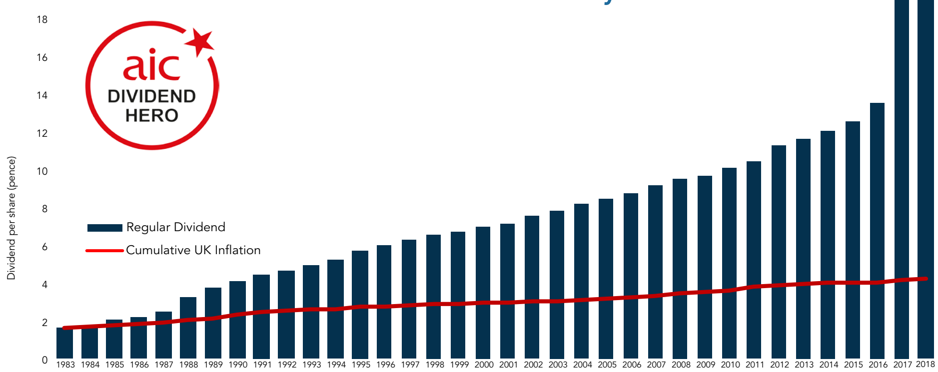
By Sector



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

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.
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