



ALASDAIR MCKINNON

Signs of easing trade tensions and progress with Brexit delivered some seasonal cheer for investors in December. This brought a strong year for equities to a suitably robust close.

With a looming mid-month deadline for the imposition of fresh US tariffs on China, concerns about trade continued to play on investor sentiment.

But these worries were balanced by rising optimism about a trade deal. Robert Lighthizer, the US Trade Representative, declared that an interim deal was "totally done", with an agreement set to be officially enacted in January. Meanwhile, a further escalation of the trade dispute was averted when President Trump agreed to waive the scheduled tariff increased in return for concessions from China. Trade tensions were also reduced by the approval of the US-Mexico-Canada trade agreement, although there will undoubtedly be more twists and turns in 2020.

The unexpectedly emphatic Conservative victory in the UK general election was welcomed by investors. The result removes the threat of the nationalisation of some sectors and provides some clarity on the path towards a Brexit resolution. The pound strengthened but gave back some of its gains as attention turned to the next challenge: the ambitious timeframe for negotiating a trade deal with the European Union. The UK has been one of the least-loved equity markets in the world, but we believe that there is scope for a sustained rebound as further clarity emerges.

December's best returns came from Latin America. The region was supported by Brazil's programme of cutting interest rates, which

have reached a historic low as the country seeks to work its way out of an economic slump.

With Chinese markets rebounding on positive trade developments and tentative signs of domestic recovery, Asia Pacific (ex Japan) was also strong.

Despite the unveiling of a large fiscal stimulus package, Japan was a laggard, as was North America. Both still made modest gains, however.

The month's strongest sectors were energy, materials and information technology - all helped by the improving trade outlook. Saudi Aramco, the Saudi Arabian oil producer, became the largest company to float on the stockmarket; its valuation rose to \$2 trillion after its debut on the Riyadh stock exchange. The weakest returns came from the industrials sector. Boeing, the sector's largest stock, had a poor month as it struggled to recover from safety concerns.

In the commodities markets, optimism about global trade helped the price of crude oil to rise sharply - boosting some of our portfolio holdings. Gold, another of our contrarian themes, continued to recover.

One of our best performers was Tesco - a prime example of an out-of-favour UK stock where we see potential for upside as sentiment recovers. Tesco gained more than 10% in December and, although we believe that it should benefit from a better outlook for the UK economy, the company has credible plans to revive its fortunes by improving its operations. Also helping the shares was the news that the company is considering a sale of its Thai business - a deal that is expected to generate hefty proceeds for Tesco.

“seasonal cheer
for investors”

www.thescottish.co.uk/subscribe

Subscribe to receive our newsletter, factsheet and other highlights

Performance

| Total return on £100 to 31 December 2019 | 6 months | 1 year | 3 years | 5 years | 10 years |
|--|----------|--------|---------|---------|----------|
| Share price ⁽¹⁾ | 102.4 | 113.8 | 119.8 | 157.9 | 239.9 |
| NAV per share ⁽²⁾ | 101.7 | 112.4 | 115.0 | 154.5 | 229.4 |
| MSCI All Countries World Index | 104.6 | 121.7 | 132.6 | 176.2 | 283.0 |
| MSCI UK All Cap Index | 104.3 | 118.3 | 120.5 | 141.5 | 213.5 |

Summary balance sheet

| | 31/12/2019 | 30/11/2019 | Total return |
|------------------------------|------------|------------|--------------|
| Market capitalisation | £614m | £605m | |
| Total assets | £784m | £767m | |
| Borrowings at amortised cost | £84m | £84m | |
| Net assets ⁽³⁾ | £698m | £682m | |
| NAV ⁽²⁾ per share | 909.8p | 887.0p | 2.6% |
| NAV ⁽³⁾ per share | 945.8p | 923.4p | 2.4% |
| Share price | 832.0p | 819.0p | 1.6% |

⁽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) * | 0.58% |
| Dividend yield | 2.7% |
| Number of listed holdings | 51 |
| Gearing/(net cash) ⁽²⁾ | 1% |
| Discount to NAV ⁽²⁾ | 8.5% |

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

*Calculated as at 31/10/19.

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

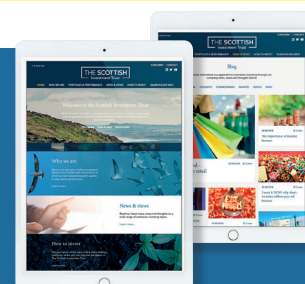
www.thescottish.co.uk



@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 December 2019)

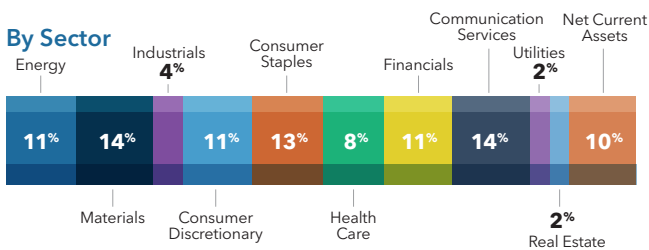
| Holding | Sector | Country | £m | % ⁽⁴⁾ |
|-------------------------------------|------------------------|-------------|--------------|------------------|
| Target | Consumer Discretionary | US | 39.5 | 5.0 |
| Tesco | Consumer Staples | UK | 38.5 | 4.9 |
| Newcrest Mining | Materials | Australia | 36.3 | 4.6 |
| Newmont Goldcorp | Materials | US | 33.4 | 4.3 |
| Barrick Gold | Materials | Canada | 31.9 | 4.1 |
| BT | Communication Services | UK | 26.8 | 3.4 |
| Pfizer | Health Care | US | 24.0 | 3.1 |
| Royal Dutch Shell | Energy | UK | 22.6 | 2.9 |
| Roche | Health Care | Switzerland | 20.7 | 2.6 |
| ING | Financials | Netherlands | 19.3 | 2.5 |
| Aggregate of top 10 holdings | | | 293.0 | 37.4 |

[Link to a full list of holdings](#)

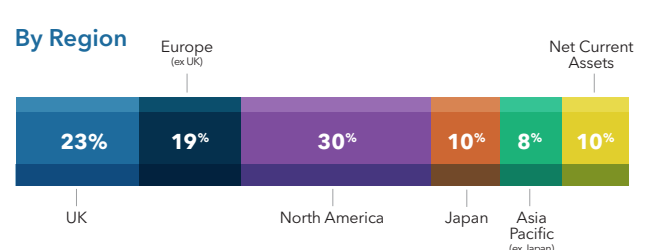
⁽⁴⁾ Percentage of total assets

Distribution of total assets (31 December 2019)

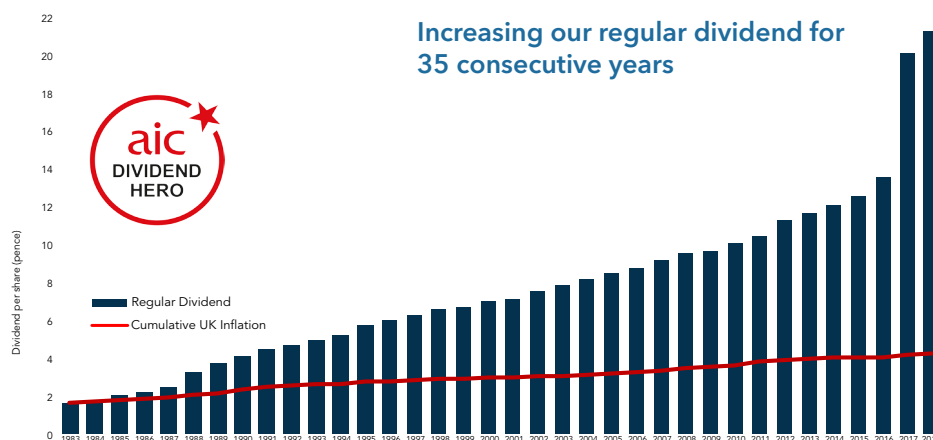
By Sector



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