



ALASDAIR MCKINNON

As investors processed some distinctly mixed news, global stockmarkets made a subdued start to 2020. Steps towards resolving the US-China trade war and Brexit were offset by worries about a US confrontation with Iran and the coronavirus outbreak in Wuhan.

In mid-January, the US and China signed their 'phase one' trade accord, signalling a ceasefire after 18 months of trade war. A final resolution remains elusive, but the truce looks set to hold during the run-up to the US presidential election. In the UK, Parliament approved Boris Johnson's Brexit deal, allowing the UK to leave the European Union on 31 January.

Although the future trading relationship is yet to be agreed, the greater clarity is helpful for investors. We see an opportunity for a recovery in UK stocks, including a number of our investments.

Against these positives, markets were rattled by a flare-up in the Middle East after the US killed a top Iranian general. Iran launched a retaliatory airstrike, although thankfully there was no further escalation. Worries surrounding global economic slowdown intensified as the novel coronavirus spread rapidly in China. As a key 'growth engine' of the world, China's measures to halt the outbreak look likely to have a dampening effect on the global economy. This was particularly troublesome for the shares of companies directly affected, such as airlines, but it also weighed on the energy sector on fears of reduced consumption in the near term.

Amid conflicting news for the global economy, the Bank of England was thought likely to be considering a rate reduction, but

it ultimately followed other major central banks and took no action.

North America was the sole region to deliver positive returns, helped by the strong performance of a small number of large companies. Latin America fared worst, on fears about global growth. The UK was held back by weakness in its large resources sector. With China being at the centre of the coronavirus outbreak, Asia-Pacific stocks underperformed.

“investors sought safe havens”

As investors sought safe havens, defensive sectors did well while most cyclicals underperformed.

Energy and materials led the declines, reflecting the likelihood of depressed Chinese demand for resources in the near term. Financials were also weak. Utilities performed best, while telecoms and consumer staples also produced positive returns. Despite what we see as stretched valuations, information technology did well too as some of the tech giants announced results that satisfied investors.

One beneficiary of the month's defensive tone was portfolio holding United Utilities. This company provides water and waste services in the northwest of England. Its shares responded to rebounding confidence in the UK given the greater clarity provided by the general election. The election outcome removed the threat of nationalisation proposed by Jeremy Corbyn. As a defensive investment that is less susceptible to swings in the broader economy, United Utilities gained amid concerns about the pace of global economic demand. It was also helped by a favourable regulatory framework, recently set out by Ofwat, which supports the company's ability to pay an attractive dividend.

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### Performance

Total return on £100 to 31 January 2020	6 months	1 year	3 years	5 years	10 years
Share price <sup>(1)</sup>	95.9	104.2	113.9	150.4	242.3
NAV per share <sup>(2)</sup>	94.4	102.0	108.5	143.8	229.9
MSCI All Countries World Index	99.8	115.8	130.6	171.4	291.7
MSCI UK All Cap Index	99.1	109.4	117.0	133.7	214.0

### Summary balance sheet

	31/01/2020	31/12/2019	Total return
Market capitalisation	£582m	£614m	
Total assets	£739m	£784m	
Borrowings at amortised cost	£84m	£84m	
Net assets <sup>(3)</sup>	£654m	£698m	
NAV <sup>(2)</sup> per share	845.7p	909.8p	-5.5%
NAV <sup>(3)</sup> per share	885.9p	945.8p	-4.8%
Share price	788.0p	832.0p	-3.6%

<sup>(1)</sup> Net income reinvested and before expenses are deducted.

<sup>(2)</sup> With borrowings at market value <sup>(3)</sup> 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	2.9%
Number of listed holdings	51
Gearing/(net cash) <sup>(2)</sup>	0%
Discount to NAV <sup>(2)</sup>	6.8%

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

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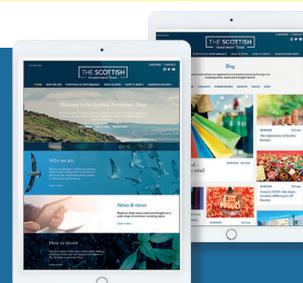
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The Scottish Investment Trust PLC



## 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](#)

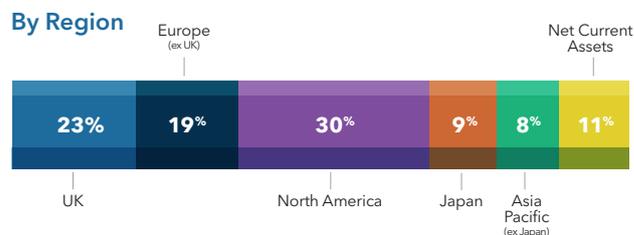
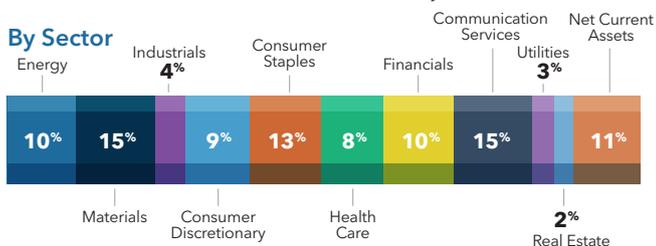
## Top 10 holdings (31 January 2020)

Holding	Sector	Country	£m	% <sup>(4)</sup>
Tesco	Consumer Staples	UK	37.3	5.0
Newmont	Materials	US	34.8	4.7
Newcrest Mining	Materials	Australia	33.9	4.6
Barrick Gold	Materials	Canada	32.0	4.3
Target	Consumer Discretionary	US	28.2	3.8
Pfizer	Health Care	US	22.9	3.1
BT	Communication Services	UK	22.4	3.0
Roche	Health Care	Switzerland	21.6	2.9
United Utilities	Utilities	UK	20.6	2.8
Royal Dutch Shell	Energy	UK	20.2	2.7
<b>Aggregate of top 10 holdings</b>			<b>273.9</b>	<b>36.9</b>

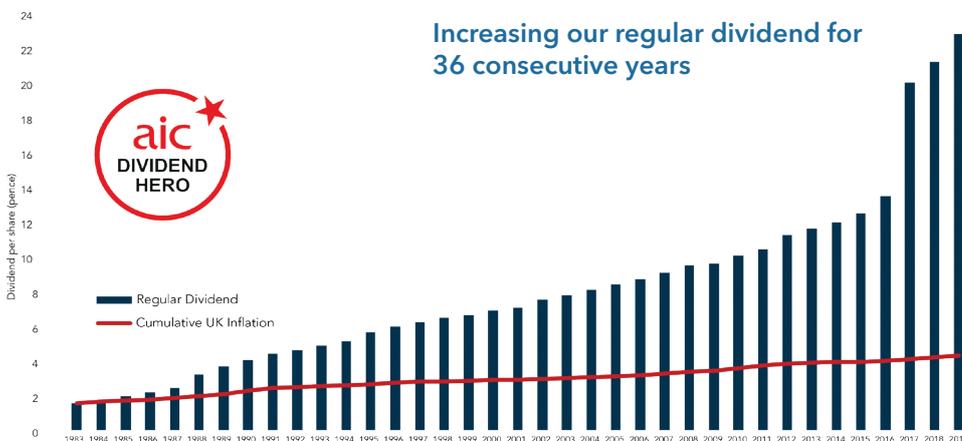
[Link to a full list of holdings](#)

<sup>(4)</sup> Percentage of total assets

## Distribution of total assets (31 January 2020)



## Increasing our regular dividend for 36 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.

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Authorised and regulated by the Financial Conduct Authority.

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