THE SCOTTISH Investment Trust

Monthly Factsheet
February 2020

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The world's stockmarkets fleetingly hit record highs in February, before swiftly pulling back as concerns about the coronavirus grew. Lingering hopes that the impact would be contained evaporated as the outbreak escalated, prompting a flight to safety among investors. Measures to suppress the virus look set to constrain economic activity and corporate earnings – both by reducing demand for products and services and by disrupting supply chains.

With earnings season in full swing, companies attempted to quantify the impact on their first-quarter results. A notable victim was Apple, which warned that it would fail to meet its first-quarter sales forecast. Alongside news of the escalating outbreak in South Korea and weak business survey data from the US, these gloomy outlook statements added to the growing evidence that the crisis would be more far-reaching than some had initially expected.

As the impact of the virus became clearer, the stockmarkets entered a correction – defined as a 10% fall from a recent peak. For some major markets, the swift reversal was said to be the fastest in history.

In response to the unfolding crisis, various central-bank chiefs signalled that they were monitoring the situation with a view to acting, if required. China cut its prime lending rates and various Asian countries announced fiscal measures. As expectations grew that the US Federal Reserve would engage in further easing, there were some brief spells of respite from the stockmarket sell-off. Jay Powell, the Fed's chair, indicated that the bank was ready to act to support the economy, which prompted markets to price in a near-certainty of imminent interest rate cuts. This sent 30-year US Treasury yields to record lows.

> “the swift reversal”

The month's strongest returns came from Asia Pacific (ex Japan), amid signs the outbreak was slowing in China, where the virus originated. The worst performing regions were the UK and Latin America, where resources stocks suffered as investors factored in weaker demand.

While all areas of the market declined, traditionally defensive sectors held up best with more economically sensitive sectors among the biggest fallers. Energy led the declines given its exposure to economic growth. Materials, industrials and financials were similarly affected. The best returns came from telecommunications because of its stable revenues; we like the sector for this reason, as well as because we believe it stands to benefit from a more sympathetic stance from regulators as building of 5G and fibre networks ramps up. Helped by lower interest rates, real estate also proved relatively resilient.

We have long championed the virtues of gold and the precious metal showed its worth during the month as worries crept into the investment markets. The economic response to the coronavirus has mirrored the response to the financial crisis – i.e. deploy more cheap money. This has the effect of devaluing paper money. In this environment, gold acts like a currency that is immune to devaluation. We express our view on gold through miners such as Newmont Mining and Barrick Gold – our two best-performing stocks in February.

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Performance

Total return on £100 to 29 February 2020	6 months	1 year	3 years	5 years	10 years
Share price [1]	90.0	93.4	99.3	132.2	208.8
NAV per share [2]	89.7	95.0	100.4	130.4	203.2
MSCI All Countries World Index	96.4	108.2	119.2	158.5	259.6
MSCI UK All Cap Index	94.0	97.5	103.2	117.4	189.1

Summary balance sheet

	29/02/2020	31/01/2020	Total return
Market capitalisation	£528m	£582m	
Total assets	£698m	£739m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£612m	£654m	
NAV [2] per share	791.7p	845.7p	-6.4%
NAV [3] per share	829.3p	885.9p	-6.4%
Share price	715.0p	788.0p	-9.3%

[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) *	0.58%
Dividend yield	3.2%
Number of listed holdings	53
Gearing/(net cash) [2]	(1%)
Discount to NAV [2]	9.7%

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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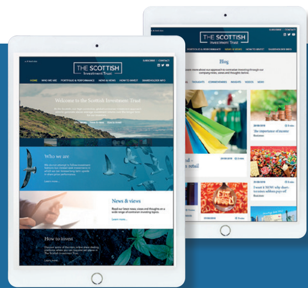


ABOUT THE SCOTTISH

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

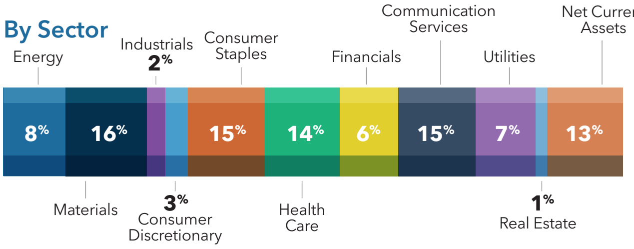
Top 10 holdings (29 February 2020)

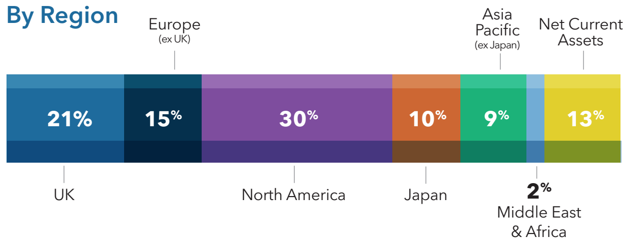
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	35.6	5.1
Barrick Gold	Materials	Canada	33.9	4.9
Newcrest Mining	Materials	Australia	29.9	4.3
Tesco	Consumer Staples	UK	27.5	3.9
Japan Tobacco	Consumer Staples	Japan	22.6	3.2
Pfizer	Health Care	US	21.2	3.0
Roche	Health Care	Switzerland	21.2	3.0
BT	Communication Services	UK	19.7	2.8
United Utilities	Utilities	UK	19.2	2.7
Gilead Sciences	Health Care	US	18.4	2.6
Aggregate of top 10 holdings			**249.2**	**35.5**

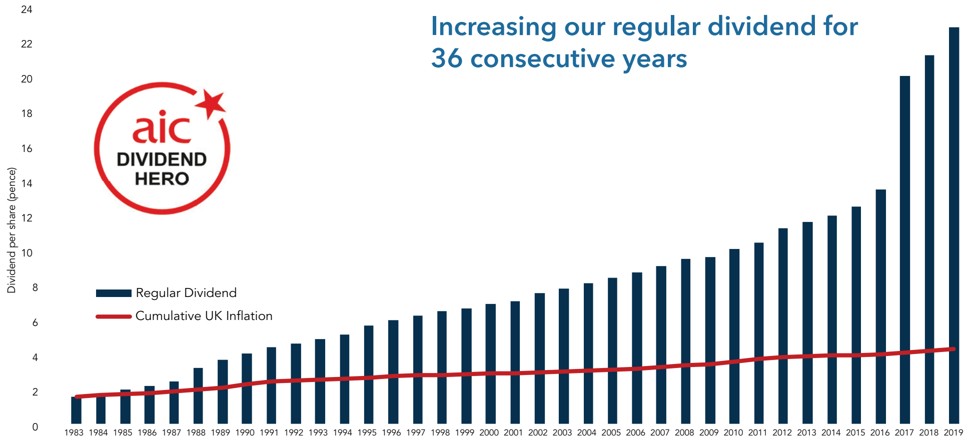
Link to a full list of holdings

[4] Percentage of total assets

Distribution of total assets (29 February 2020)







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.
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