



ALASDAIR MCKINNON

As investors took heart from sizeable new stimulus measures and signs that lockdowns may soon ease, the world's battered stockmarkets rebounded in April. The S&P 500 recorded its best monthly performance since 1987 - in defiance of economic data and corporate earnings reports that suggested worsening conditions.

Despite the mounting death toll, there were signs that the Covid-19 pandemic was abating. Trends in some hotspots suggested that the outbreak's peak might have passed, and this encouraged political leaders to start planning an easing of lockdown measures that have decimated economic activity. Some countries took tentative steps to reopen schools and businesses. There was also good news from one of our investments, Gilead Sciences, which announced that it had successfully tested its Covid-19 drug remdesivir. Investors were cheered by these developments, but any hopes of a swift return to normality may be misplaced.

The havoc wrought by the pandemic was evident in economic data. In the US, jobless claims continued to mount - more than 30 million workers have now lost their jobs since restrictions began. In the first quarter of the year, US GDP shrank at an annualised rate of 4.8%, with a deeper recession inevitable in the second quarter. The drop in demand was reflected in oil prices, which dipped dramatically mid-month, before recovering later. The glut meant that oil future prices briefly turned negative as a shortage of storage space distorted the market.

In an attempt to soften the economic blow from lockdowns, governments and central banks continued to ramp up stimulus

measures. The US Federal Reserve unveiled plans to provide \$2.3 trillion in emergency support and committed to keeping interest rates near zero. Meanwhile, US politicians approved another \$484 billion in government aid.

In the equity markets, the best returns came from North America. Also strong was Asia Pacific (ex Japan) as China ended its lockdown of Wuhan - the outbreak's original epicentre. Although all regions made solid gains, April's main laggard was the UK, where Prime Minister Boris Johnson required intensive care in his battle with Covid-19. Japan also lagged its global peers as it entered a nationwide state of emergency.

“continued to ramp up stimulus measures”

As hopes built for a recovery, several of the most economically sensitive sectors led the charge. Energy performed best, retracing some of its lost ground as the oil price reflected hope for improved demand. Consumer discretionary and materials stocks were similarly bolstered. Among the laggards were the more defensive sectors, with utilities and consumer staples recording smaller gains.

Two recent additions to our gold investments, Gold Fields and AngloGold Ashanti, provided some of our best returns in April. Both stocks rose by around 50%. Regular readers will be well aware of our long-held love for gold. We believe that the unrestrained stimulus used to offset the economic damage of lockdown, will debase currencies and boost gold's value. Both of these gold miners have ambition to grow their earnings through improved operations while benefiting from the favourable gold price.

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### Performance

Total return on £100 to 30 April 2020	6 months	1 year	3 years	5 years	10 years
Share price <sup>(1)</sup>	95.6	97.1	105.7	136.8	207.7
NAV per share <sup>(2)</sup>	94.2	94.8	103.1	130.3	197.1
MSCI All Countries World Index	94.7	98.2	116.9	150.9	237.4
MSCI UK All Cap Index	82.5	82.3	91.4	102.8	159.4

### Summary balance sheet

	30/04/2020	31/03/2020	Total return
Market capitalisation	£555m	£476m	
Total assets	£708m	£660m	
Borrowings at amortised cost	£84m	£84m	
Net assets <sup>(3)</sup>	£622m	£574m	
NAV <sup>(2)</sup> per share	808.0p	751.5p	8.3%
NAV <sup>(3)</sup> per share	843.2p	778.1p	9.1%
Share price	752.0p	645.0p	17.5%

<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	3.0%
Number of listed holdings	52
Gearing/(net cash) <sup>(2)</sup>	(5%)
Discount to NAV <sup>(2)</sup>	6.9%

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

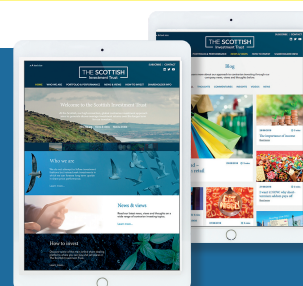
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The Scottish Investment Trust PLC



## 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 (30th April 2020)

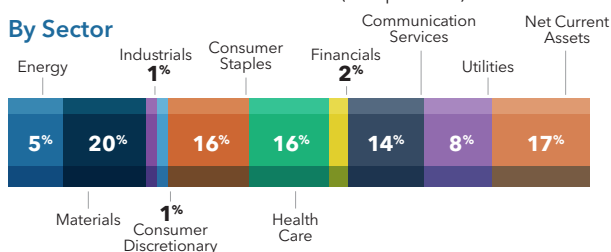
Holding	Sector	Country	£m	% <sup>(4)</sup>
Newmont	Materials	US	48.0	6.8
Barrick Gold	Materials	Canada	46.4	6.6
Newcrest Mining	Materials	Australia	32.2	4.6
Pfizer	Health Care	US	24.6	3.5
Roche	Health Care	Switzerland	23.3	3.3
Gilead Sciences	Health Care	US	22.4	3.2
Japan Tobacco	Consumer Staples	Japan	21.7	3.1
United Utilities	Utilities	UK	18.3	2.6
GlaxoSmithKline	Health Care	UK	16.9	2.4
PepsiCo	Consumer Staples	US	16.9	2.4
<b>Aggregate of top 10 holdings</b>			<b>270.7</b>	<b>38.5</b>

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

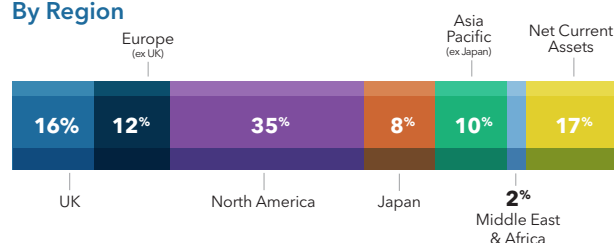
<sup>(4)</sup> Percentage of total assets

## Distribution of total assets (30 April 2020)

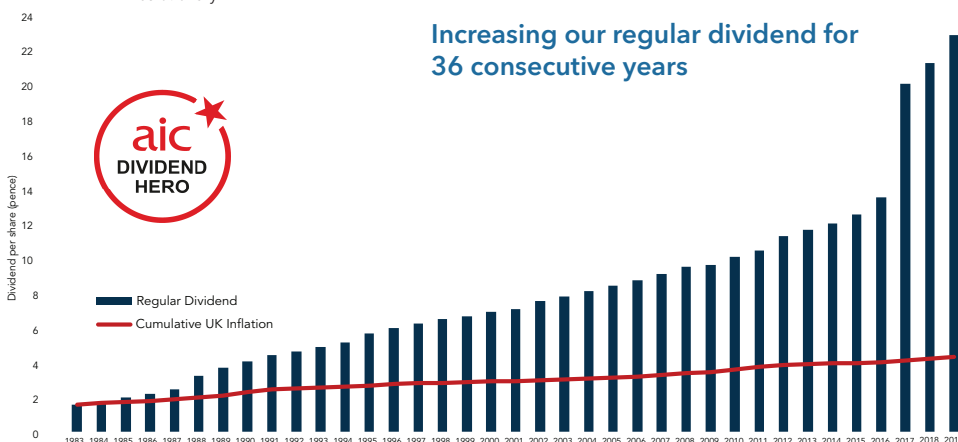
### By Sector



### By Region



## 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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Telephone: 0131 225 7781 | Email: [info@thescottish.co.uk](mailto:info@thescottish.co.uk) | Website: [www.thescottish.co.uk](http://www.thescottish.co.uk)