THE SCOTTISH Investment Trust

Monthly Factsheet
May 2020

ALASDAIR MCKINNON

Global stockmarkets advanced in May as investors focused on new stimulus packages and the reopening of economies. However, this optimism contrasted with ongoing economic weakness and rising tensions between the US and China.

During the month, there were various signs that life was starting its journey back to normality. Japan lifted its state of emergency earlier than expected, US ongoing jobless claims declined (despite a large number of new job losses), and the UK began to ease its lockdown restrictions. Sentiment was also boosted – very briefly – when US biotech firm Moderna claimed to have achieved positive results from trials of its potential Covid-19 vaccine.

Meanwhile, new efforts by governments and central banks to reduce the economic impact of lockdowns added to the positive mood. In Europe, a €750bn recovery fund was put forward by the EU, while Japan unveiled a $1.1tn fiscal stimulus programme. China's central bank promised "more powerful" policies to combat the slump and, in the UK, the Bank of England was actively considering negative interest rates. Despite these significant measures, it remains to be seen whether a sharp 'V-shaped' recovery for the economy is possible.

The simmering tensions between the US and China escalated further in May. President Trump threatened to "cut off the whole relationship" with China, which he blames for the spread of Covid-19. Meanwhile, Beijing's moves to impose a controversial national security law on Hong Kong led to vocal disapproval from the US president, who promised "meaningful" action.

> "optimism contrasted with ongoing economic weakness"

Despite its struggles to contain the coronavirus, Latin America provided the month's strongest returns as the Brazilian real strengthened dramatically. It was followed closely by Japan, Europe (ex UK) and North America as these regions took steps to exit lockdown. Asia (ex Japan) was the main laggard, as Sino-US relations soured.

As optimism grew that an easing of lockdown measures would prompt a swift rebound, many of the market's most economically sensitive sectors performed well. Information technology led the pack, followed by industrials, materials and consumer discretionary. The main laggards were real estate, financials, energy and consumer staples.

In the commodity markets, the oil price clawed back a substantial portion of its recent losses. This came as producers moved to curb supply while increased economic activity led to greater demand – alleviating the problem of oversupply.

In our portfolio, one beneficiary of optimism about economic reopening was US retailer Target. The rise of online shopping has caused many 'bricks and mortar' retailers to struggle. But many investors have overlooked those retailers that are rising to the e-commerce challenge. Target is a case in point. The company is adapting to take advantage of both online and in-store sales – a model that we believe will thrive as shopping habits evolve. As the US exits lockdown, we expect stocks like Target to play a full part in the economic rebound.

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Performance

Total return on £100 to 31 May 2020	6 months	1 year	3 years	5 years	10 years
Share price (1)	92.7	99.0	102.1	131.6	219.9
NAV per share (2)	95.6	99.7	102.1	132.2	214.8
MSCI All Countries World Index	98.4	107.5	121.5	159.7	265.1
MSCI UK All Cap Index	83.5	87.8	90.3	105.3	176.2

Summary balance sheet

	31/05/2020	30/04/2020	Total return
Market capitalisation	£546m	£555m	
Total assets	£722m	£708m	
Borrowings at amortised cost	£84m	£84m	
Net assets (3)	£637m	£622m	
NAV (2) per share	827.8p	808.0p	2.5%
NAV (3) per share	863.4p	843.2p	2.4%
Share price	740.0p	752.0p	-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	3.1%
Number of listed holdings	52
Gearing/(net cash) (2)	(6%)
Discount to NAV (2)	10.6%

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 (31 May 2020)

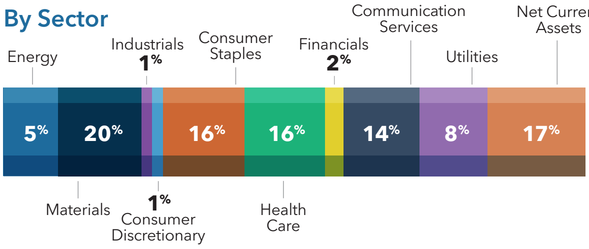
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	48.1	6.7
Barrick Gold	Materials	Canada	44.2	6.1
Newcrest Mining	Materials	Australia	37.2	5.1
Pfizer	Health Care	US	25.0	3.5
Roche	Health Care	Switzerland	23.7	3.3
Japan Tobacco	Consumer Staples	Japan	23.4	3.2
Gilead Sciences	Health Care	US	21.3	2.9
United Utilities	Utilities	UK	18.6	2.6
Pepsico	Consumer Staples	US	17.1	2.4
GlaxoSmithKline	Health Care	UK	17.1	2.4
Aggregate of top 10 holdings			**275.7**	**38.2**

Link to a full list of holdings

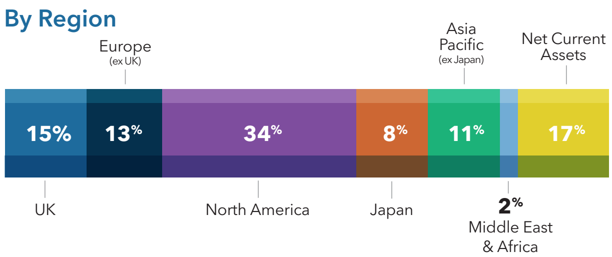
[4] Percentage of total assets

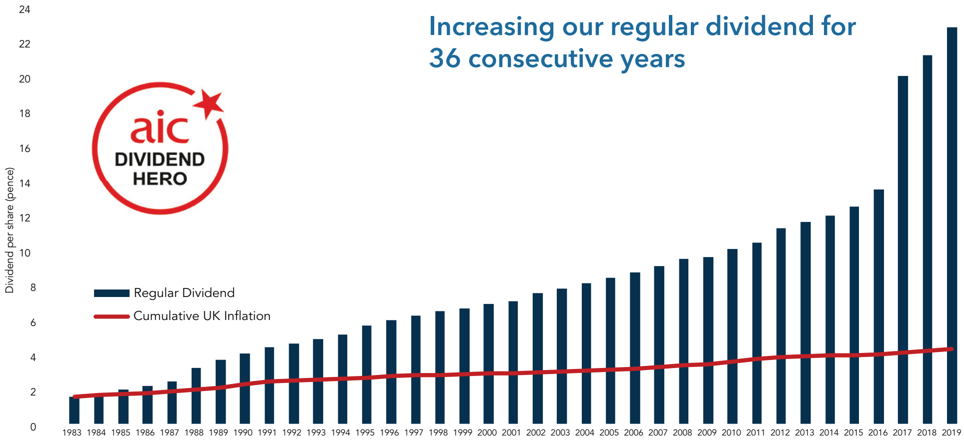
Distribution of total assets (31 May 2020)

By Sector



By Region





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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