THE SCOTTISH Investment Trust

Monthly Factsheet

July 2020

ALASDAIR MCKINNON

The recent rebound in global stockmarkets stuttered in July as signs of a Covid-19 resurgence dented hopes of a swift economic recovery. Further turbulence in Sino-US relations also presented a drag for investor sentiment. These concerns were reflected in the weaker US dollar, which contributed to the overall flat performance for the month.

Although many investors had been largely content to look through the current economic weakness to an expected recovery, rising coronavirus infections in some parts of the world created a sense of unease. Most notably, progress towards containing the virus in the US faltered in several states, leading to the imposition of new restrictions. More positive news came as several pharmaceutical companies announced positive clinical data for vaccine candidates, offering hope that a medical solution could be in sight.

Meanwhile, the brutal impact of lockdown measures on economic activity was laid bare as the US recorded its worst annualised quarterly GDP (-32.9%) since the Second World War. This weakness was reflected in second quarter earnings reporting. While most companies' earnings were crimped by lockdown restrictions, some notable exceptions benefited from 'stay-at-home' orders. Technology and internet companies were prominent among those, though several leaders of the 'Big Tech' companies suffered a grilling by the US Congress regarding harmful market dominance. US-China relations provided no succour as the US ordered the closure of a Chinese diplomatic outpost, with China responding in kind.

Since February's market lows, unprecedented monetary and fiscal stimulus packages have offered investors scope for optimism.

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Policymakers continue to work apace on measures to blunt the economic impact of lockdowns. The EU agreed a €750 billion fiscal stimulus package – albeit with a greater proportion of loans than grants. However, the US was unable to agree a proposed $1 trillion support package as Republicans and Democrats remained at loggerheads.

Despite its struggles to contain the pandemic, Latin America delivered July's strongest returns, as Brazil edged towards enacting much needed reforms. Asia Pacific (ex Japan) also produced good returns, helped by economic data showing that China had returned to economic growth. Dollar weakness masked strong local currency returns for US stocks, where major indices closed in on their pre-pandemic levels. The weakest returns came from Japan and the UK.

July's strongest sectors were consumer discretionary, materials and information technology, in part helped by robust earnings from beneficiaries of stay-at-home spending. Meanwhile, economically sensitive sectors featured prominently among the main laggards: energy, financials, real estate and industrials.

> “gold moved to an all-time high”

In the commodity markets, the price of gold moved to an all-time high, briefly touching $2,000 per troy ounce, helped by the weaker dollar. The move also reflected continued uncertainty and the prospect of rising inflation resulting from central bank largesse.

Aided by the rising gold price, our gold miners continued to record robust gains in July, including Newcrest Mining and Newmont. We see no end in sight for the current environment of unfettered money printing which, we believe, bodes well for our positive view on gold.

Performance

Total return on £100 to 31 July 2020	6 months	1 year	3 years	5 years	10 years
Share price (1)	93.9	90.1	98.6	135.6	222.6
NAV per share (2)	97.3	91.9	99.6	135.3	217.9
MSCI All Countries World Index	100.2	100.0	123.0	169.7	279.0
MSCI UK All Cap Index	81.3	80.6	89.0	106.1	167.9

Summary balance sheet

	31/07/2020	30/06/2020	Total return
Market capitalisation	£537m	£553m	
Total assets	£712m	£732m	
Borrowings at amortised cost	£84m	£84m	
Net assets (3)	£627m	£647m	
NAV (2) per share	811.7p	840.5p	-2.7%
NAV (3) per share	851.8p	877.5p	-2.3%
Share price	729.0p	750.0p	-2.0%

(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	54
Gearing/(net cash) (2)	(4%)
Discount to NAV (2)	10.2%

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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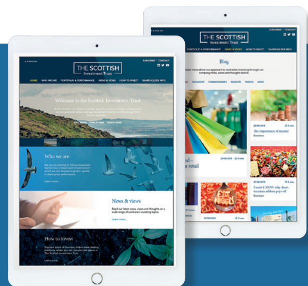


ABOUT THE SCOTTISH

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 July 2020)

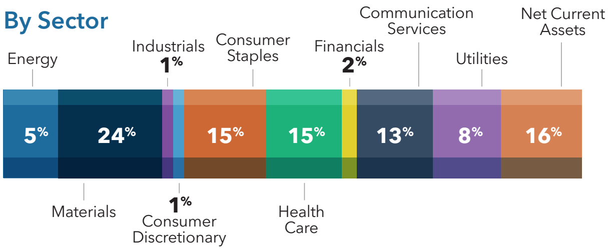
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	53.7	7.5
Barrick Gold	Materials	Canada	50.1	7.0
Newcrest Mining	Materials	Australia	43.4	6.1
Pfizer	Health Care	US	23.8	3.3
Roche	Health Care	Switzerland	22.4	3.1
Japan Tobacco	Consumer Staples	Japan	19.0	2.7
United Utilities	Utilities	UK	18.3	2.6
Gilead Sciences	Health Care	US	17.9	2.5
PepsiCo	Consumer Staples	US	16.9	2.4
Severn Trent	Utilities	UK	16.2	2.3
Aggregate of top 10 holdings			**281.7**	**39.5**

Link to a full list of holdings

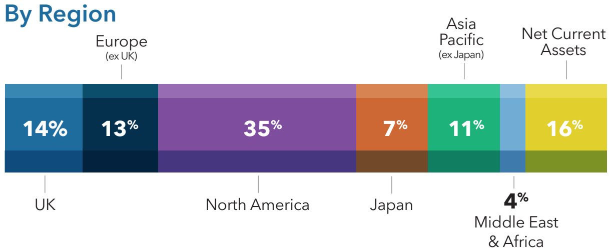
[4] Percentage of total assets

Distribution of total assets (31 July 2020)

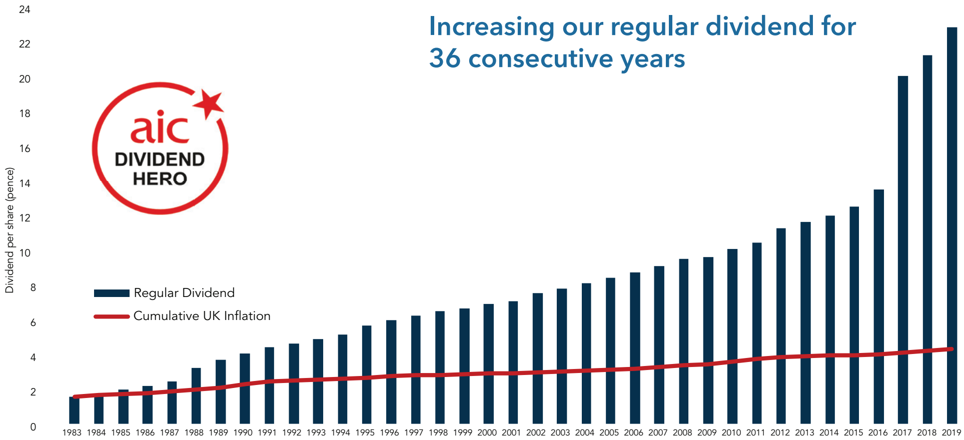
By Sector



By Region



Increasing our regular dividend for 36 consecutive years



QUARTERLY DIVIDEND PAYMENT

FIRST INTERIM	May
SECOND INTERIM	August
THIRD INTERIM	November
FINAL	February

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