



ALASDAIR MCKINNON

As investors digested the risks posed to the global economy by a second wave of Covid-19 infections, equity markets were little changed in September. Covid aside, investors focused on the prospects of further government support and the political uncertainty caused by the upcoming US elections.

With Covid case numbers escalating, restrictions were tightened in various parts of Europe, raising fears that economic recovery could be jeopardised. However, progress towards a vaccine helped to lift the market's mood. The chief executive of Pfizer, one of our investments, indicated that its vaccine could be ready for distribution before year-end.

Elections in the US typically influence stockmarkets and this year looks to be no exception. The first presidential debate proved particularly acrimonious. President Trump refused to commit to a peaceful transfer of power, reiterating concerns about the probity of votes cast by mail.

With the economic recovery still in its early stages, politicians and central bankers continue to play an essential role in underpinning market confidence with economic support measures. Sentiment swayed over the month as investors gauged the likelihood of another round of US fiscal stimulus, following the expiry of enhanced unemployment benefits in early August. However, September ended without any sign of a bipartisan agreement. Meanwhile, the US Federal Reserve (Fed) reassured by pledging to keep interest rates at record lows until at least the end of 2023. Alongside

“economic recovery still in its early stages”

that, Fed chair Jay Powell repeated his plea for more fiscal support to accompany the extraordinary monetary support already in place. In the UK, the Bank of England hinted that it was considering negative interest rates.

Japan was the strongest major market, as favoured candidate Yoshihide Suga was confirmed as the successor to Shinzo Abe, who stepped down as prime minister following ill health. Suga aims to continue his predecessor's 'Abenomics' policies that seek to revive Japan's economy. Asia Pacific (ex Japan) also performed well as robust economic data from China appeared to confirm a recovery. Latin America, North America and the UK all delivered negative returns. In the UK, Brexit talks faltered as Boris Johnson was accused of reneging on earlier commitments.

The strongest sectors were industrials, utilities and materials.

Energy stocks were the poorest performers as Saudi price cuts underscored the weakness in near-term demand. New allegations of anti-money-laundering failures contributed to poor performance from financials.

One of our best performing investments in September was Duke Energy. This company is a leading operator of regulated electric utilities and natural gas assets in the US. As the pandemic wiped out profits at many businesses, Duke's steady earnings and resilient dividend have been a source of comfort. We believed that its shares' low valuation (compared with those of its peers) failed to reflect Duke's opportunity to grow its assets and earnings. The company's attractions also caught the eye of NextEra Energy, which was revealed to have made an attempt to acquire Duke in, what would have been, the largest merger in the sector's history.

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Performance

Total return on £100 to 30 September 2020	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	111.5	88.7	94.8	144.8	204.7
NAV per share ⁽²⁾	107.1	90.1	95.7	142.8	199.6
MSCI All Countries World Index	123.6	105.3	127.6	191.3	276.8
MSCI UK All Cap Index	105.7	81.7	88.3	115.9	158.0

Summary balance sheet

	30/09/2020	28/8/2020	Total return
Market capitalisation	£518m	£538m	
Total assets	£693m	£704m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£608m	£618m	
NAV ⁽²⁾ per share	793.6p	802.8p	-1.1%
NAV ⁽³⁾ per share	831.7p	841.4p	-1.2%
Share price	708.0p	732.0p	-3.3%

⁽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	54
Gearing/(net cash) ⁽²⁾	(4%)
Discount to NAV ⁽²⁾	10.8%

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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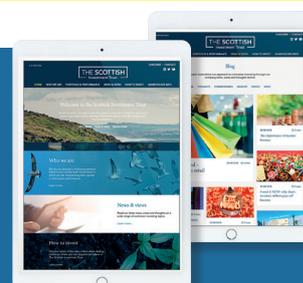
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The Scottish Investment Trust PLC



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 (30 September 2020)

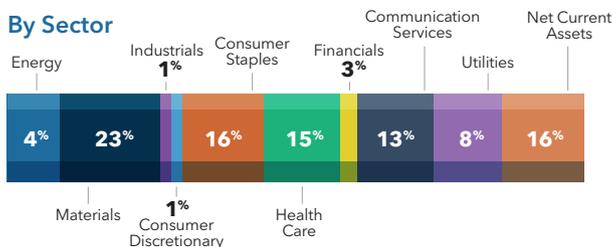
Holding	Sector	Country	£m	% ⁽⁴⁾
Newmont	Materials	US	50.0	7.2
Barrick Gold	Materials	Canada	49.5	7.1
Newcrest Mining	Materials	Australia	39.2	5.7
Pfizer	Health Care	US	23.0	3.3
Roche	Health Care	Switzerland	22.5	3.2
Japan Tobacco	Consumer Staples	Japan	20.5	3.0
United Utilities	Utilities	UK	17.4	2.5
PepsiCo	Consumer Staples	US	17.2	2.5
Gilead Sciences	Health Care	US	16.5	2.4
Severn Trent	Utilities	UK	16.1	2.3
Aggregate of top 10 holdings			271.9	39.2

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

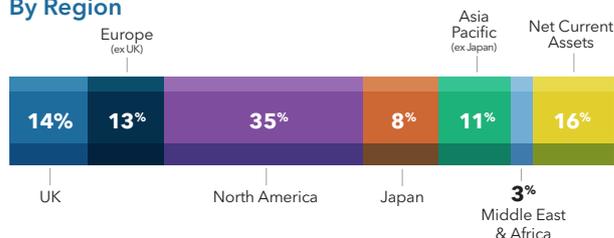
⁽⁴⁾ Percentage of total assets

Distribution of total assets (30 September 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.

Issued and approved by SIT Savings Ltd, registered in Scotland No: SC91859. Registered office: 6 Albyn Place, Edinburgh, EH2 4NL.

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