THE SCOTTISH Investment Trust

Monthly Factsheet
October 2020

ALASDAIR MCKINNON

Most of the world's stockmarkets declined in October as rising coronavirus infections in Europe and the US reignited concerns about the economic recovery. The uncertainty around the US presidential election and the ongoing delays to a package of fiscal support further dampened investor sentiment.

Over the summer, falling rates of Covid-19 infection had led to hopes that the world was on the road to recovery. But with infection numbers escalating in the autumn, investors increasingly questioned whether the economy could continue to rebound from its steep slump.

> "delays to a package of fiscal support"

Aside from President Trump's brief Covid-related hospitalisation, US election campaigning continued in its usual belligerent manner.

Despite the many differences between the opposing candidates, both are likely to favour greater fiscal stimulus. President Trump ordered stimulus negotiations to stop until after the election, before changing tack and calling for targeted action. The gulf between Republican and Democrat demands appeared to narrow, but despite bullish comments from both sides, an agreement remained elusive.

In Europe, several nations reacted to the accelerating spread of the virus by returning to the most restrictive measures since the spring. Boris Johnson announced a one-month lockdown for England while France and Germany announced similarly tough measures. These new shutdowns threaten the tentative economic recovery, raising the spectre of a double-dip recession.

Despite that, the month's economic data was generally supportive.

The US recorded a strong rebound in GDP, which rose at an annualised pace of 33.1%. China, meanwhile, reported encouraging data, including strong industrial profit growth.

Asia Pacific (ex Japan) was the only major region to record a gain in October, helped by a catch-up from China where stockmarkets reopened following the national Golden Week holiday. The worst returns came from Europe (ex UK) and the UK, where new lockdowns were imposed. As Brexit talks resumed in the UK, a stronger pound contributed to falling stock prices.

By sector, the best returns came from communication services and utilities as markets adopted a more defensive stance. As oil prices fell on the prospect of another round of lockdown-induced demand destruction, energy produced the weakest returns. Health care and information technology were also among the main laggards. Big Tech's dominance remains in the spotlight, and Google's parent Alphabet was the target of a US antitrust lawsuit during the month.

Our holding in KPN delivered solid returns over the month. This Dutch company is part of the unloved telecommunications industry, which has led many investors to overlook the opportunities open to it. The Netherlands' mobile market has recently consolidated around fewer companies, which increases the pricing power of those that remain. Meanwhile, KPN's new CEO is focusing on growing the company's cash flow. With a potential bid reported in the press during the month, KPN's attractions now appear to be catching the eye of private-equity investors. As many investors have fixated on growth, they have tended to overlook robust cash flows. We always value resilience in our portfolio and in KPN's case, that resilience was rewarded in October.

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Performance

Total return on £100 to 31 October 2020	6 months	1 year	3 years	5 years	10 years
Share price [1]	92.0	88.0	90.6	132.8	191.2
NAV per share [2]	94.8	89.3	90.7	130.4	185.8
MSCI All Countries World Index	110.8	105.0	120.7	176.4	264.4
MSCI UK All Cap Index	96.3	79.4	82.9	105.7	147.7

Summary balance sheet

	31/10/2020	30/9/2020	Total return
Market capitalisation	£496m	£518m	
Total assets	£661m	£693m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£578m	£608m	
NAV [2] per share	755.0p	793.6p	-4.1%
NAV [3] per share	793.1p	831.7p	-4.0%
Share price	681.0p	708.0p	-3.0%

[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.

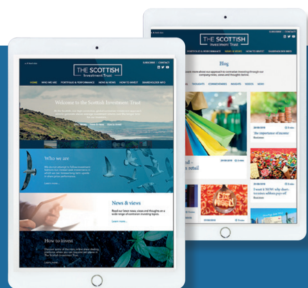
Company information

Company founded	1887
Manager	Alasdair McKinnon
Ongoing charges figure (OCF) *	0.58%
Dividend yield	3.3%
Number of listed holdings	59
Gearing/(net cash) [2]	1%
Discount to NAV [2]	9.8%

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



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@ScotInvTrust   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 (31 October 2020)

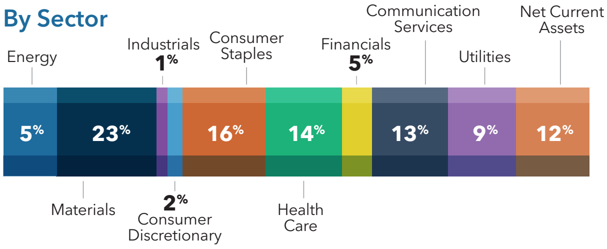
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	49.5	7.5
Barrick Gold	Materials	Canada	47.0	7.1
Newcrest Mining	Materials	Australia	35.9	5.4
Pfizer	Health Care	US	22.3	3.4
Japan Tobacco	Consumer Staples	Japan	21.2	3.2
Roche	Health Care	Switzerland	21.0	3.2
United Utilities	Utilities	UK	17.5	2.7
Severn Trent	Utilities	UK	16.0	2.4
Duke Energy	Utilities	US	16.0	2.4
Gilead Sciences	Health Care	US	15.2	2.3
Aggregate of top 10 holdings			**261.6**	**39.6**

Link to a full list of holdings

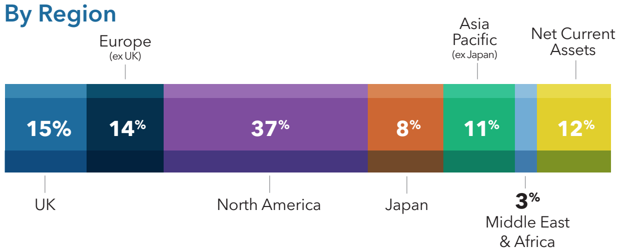
[4] Percentage of total assets

Distribution of total assets (31 October 2020)

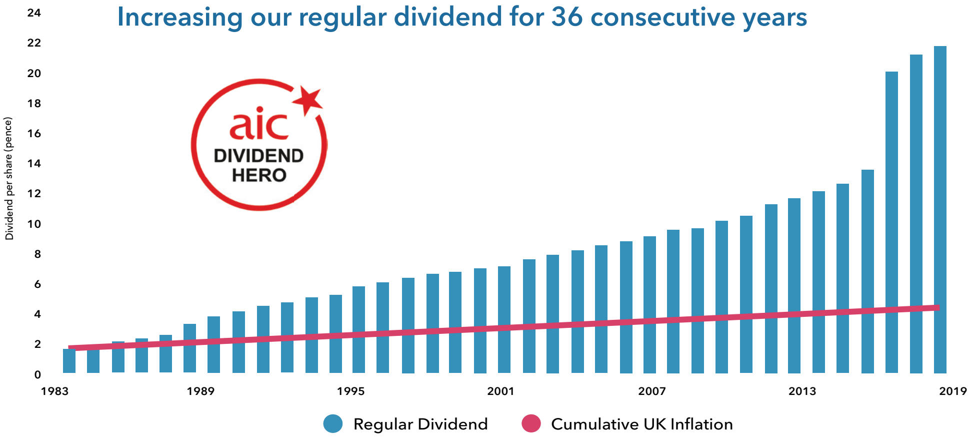
By Sector



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

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