



ALASDAIR MCKINNON

Stockmarkets rose in December, capping a year of solid returns for global equities. 2020's gains were volatile, however, and unevenly spread. December's rise came as investors took solace from the deployment of Covid-19 vaccines, new stimulus packages and a Brexit trade deal. Those events were weighed against some worrying developments in the pandemic as a new coronavirus variant emerged.

Alongside increasingly grim infection and mortality figures, the emergence of the faster spreading variant prompted renewed travel restrictions and a tightening of lockdown measures. Ultimately, however, investors focused on the brightening outlook, with further positive milestones reached in the fight against the virus. Significantly, vaccines gained emergency approval from regulators, allowing mass vaccination programmes to begin. This paves the way for a reopening of the economy and provides an opportunity for economically sensitive stocks to recover.

There were signs that the rollout may not be a straightforward process, as Pfizer, one of the vaccine producers, highlighted that it had encountered challenges with its supply chain.

Despite the positive vaccine developments, the economy remains severely constrained. News of further stimulus was therefore very welcome.

After protracted political negotiations, the US approved fiscal support worth \$900bn. Stimulus packages were also agreed in Europe. The EU passed a budget that included €750bn of pandemic

“vaccines gained emergency approval”

support after Hungary and Poland dropped their earlier objections. Meanwhile, the European Central Bank expanded its bond buying programme to inject more liquidity into the economy. Although the EU-UK trade talks went down to the wire, an accord was eventually reached, averting a 'no-deal' Brexit.

Sector performance reflected the improving outlook for economically sensitive stocks. Materials and financials were strong, as was information technology. The weakest sectors were real estate and utilities, which were held back by rising bond yields in the wake of increased stimulus.

Latin America was the strongest region in December. Asia was also robust despite new orders from the outgoing US president that required some investors to dispose of investments deemed to have connections to the Chinese military. The weakest region was North America, although it still delivered positive returns for the month.

One of our best performing stocks in December was Capri. This is a fashion house and retailer with three brands: Michael Kors, Versace and Jimmy Choo. Sales have been adversely affected by the pandemic and slowing growth for Michael Kors. However, a reopening of the economy and plans to restore Michael Kors' premium position underpin the company's strong prospects. There is also hidden value in the recently acquired Versace and Jimmy Choo brands, which can drive sales growth and cash generation. The company is targeting rapid store expansion for both of these brands, aiming to double revenues from each over the next few years. We bought the stock at a valuation that was considerably below historic levels.

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Performance

Total return on £100 to 31 December 2020	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	94.6	87.5	89.5	136.8	180.4
NAV per share ⁽²⁾	93.9	88.9	91.1	133.8	176.7
MSCI All Countries World Index	112.1	112.7	131.9	192.2	274.4
MSCI UK All Cap Index	108.9	88.9	94.8	125.7	165.1

Summary balance sheet

	31/12/2020	30/11/2020	Total return
Market capitalisation	£500m	£508m	
Total assets	£674m	£681m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£590m	£597m	
NAV ⁽²⁾ per share	778.2p	781.1p	-0.4%
NAV ⁽³⁾ per share	822.7p	822.9p	0.0%
Share price	698.0p	700.0p	-0.3%

⁽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) *	0.52%
Dividend yield	3.3%
Number of listed holdings	63
Gearing/(net cash) ⁽²⁾	3%
Discount to NAV ⁽²⁾	10.3%

The Company's discount policy aims, in normal market conditions, to maintain the discount to NAV at or below 9%.

*Calculated as at 31/10/20.

Link to our [Annual and Interim Reports](#)

Contact **US**

...to get in touch and find out more

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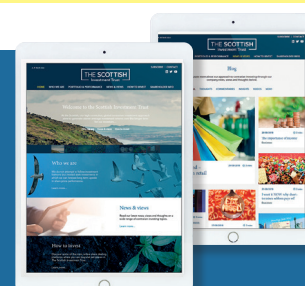
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The Scottish Investment Trust PLC



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 December 2020)

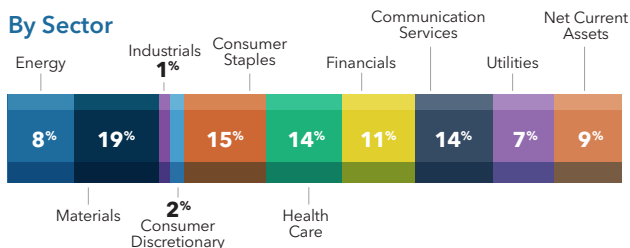
Holding	Sector	Country	£m	% ⁽⁴⁾
Newmont	Materials	US	41.5	6.2
Barrick Gold	Materials	Canada	35.0	5.2
Newcrest Mining	Materials	Australia	33.0	4.9
Pfizer	Health Care	US	21.8	3.2
Japan Tobacco	Consumer Staples	Japan	21.7	3.2
BT	Communication Services	UK	18.4	2.7
Kirin	Consumer Staples	Japan	17.3	2.6
United Utilities	Utilities	UK	15.7	2.3
Roche	Health Care	Switzerland	15.5	2.3
Tesco	Consumer Staples	UK	15.1	2.2
Aggregate of top 10 holdings			235.0	34.8

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

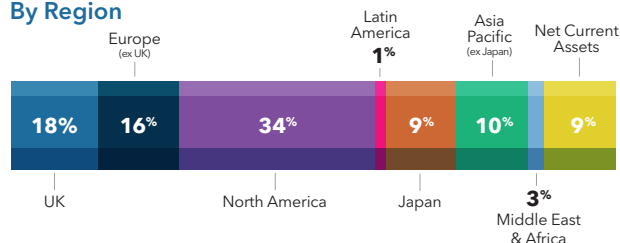
⁽⁴⁾ Percentage of total assets

Distribution of total assets (31 December 2020)

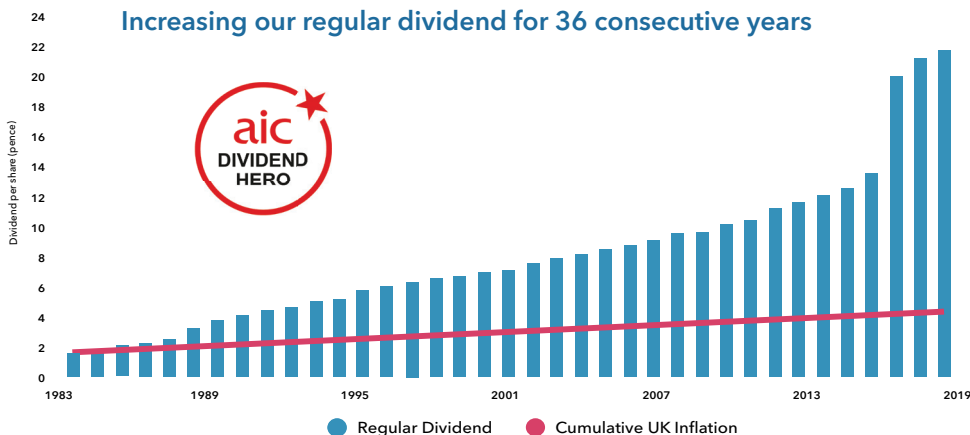
By Sector



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.

Authorised and regulated by the Financial Conduct Authority.

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