

# The Scottish Investment Trust PLC

## INVESTOR DISCLOSURE DOCUMENT

This document is issued by SIT Savings Limited (the 'Manager') as Alternative Investment Fund Manager ('AIFM') for The Scottish Investment Trust PLC (the 'Company') solely in order to make certain particular information available to investors in the Company before they invest, in accordance with the requirements of the Financial Conduct Authority rules implementing the EU Alternative Investment Fund Managers Directive (the 'AIFMD') in the UK. It is made available to investors and potential investors in the Company by being accessible on the Company's website at; [www.thescottish.co.uk](http://www.thescottish.co.uk).

Potential investors in the Company's shares may wish to consult their stockbroker, bank manager, solicitor, accountant, or other financial adviser before investing in the Company.

## IMPORTANT INFORMATION

### Regulatory status of the Company

The Scottish Investment Trust PLC is an Alternative Investment Fund ('AIF') for the purposes of the AIFMD and the Company has appointed its wholly-owned subsidiary, SIT Savings Limited, to act as its Alternative Investment Fund Manager. SIT Savings Limited is authorised and regulated by the Financial Conduct Authority as a 'full-scope UK AIFM'.

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to its articles of association, the Listing Rules, the Disclosures and Transparency Rules, the UK Corporate Governance Code and the Companies Act 2006. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The provisions of the Company's articles of association are binding on the Company and its shareholders. The articles of association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by Scots law.

### Limited purpose of this document

This document is not being issued for any purpose other than to make certain, required, regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company, the Manager, and the Directors will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and is issued for information purposes only. It is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purposes of making an informed decision in relation to an investment in the Company's shares.**

### **No advice**

Neither the Company or Manager, nor their Directors, are advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document, or any other document issued by the Company, or Manager, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares may wish to consult their stockbroker, bank manager, solicitor, accountant, or other financial adviser before investing in the Company.**

### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions.

The Company's shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant security laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they may encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding transfer or other disposal of shares.

## THE COMPANY

### Investment objective and policy

The Company carries on business as a global growth investment trust. Its objective is 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.

In order to achieve this objective, the Company invests in a global portfolio constructed through an investment process whereby assets are primarily allocated on the basis of the investment merits of individual stocks rather than those of regions, sectors or themes.

The Company's portfolio is actively managed and typically will contain 50 to 100 listed international equity investments. The portfolio is widely diversified both by industrial sector and geographic location of investments in order to spread investment risk.

Whilst performance is compared against major global and UK indices, the composition of indices has no influence on investment decisions or the construction of the portfolio. As a result, it is expected that the Company's investment portfolio and performance may deviate from the comparator indices.

Since the Company's assets are invested globally and without regard to the composition of any index, there are no restrictions on maximum or minimum exposures to specific geographic regions, industry sectors or unlisted investments. However, such exposures are reported in detail to, and monitored by, the Company's Board of Directors (the 'Board') at each Board meeting in order to ensure that adequate diversification is maintained.

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. In pursuing its investment objective, from time to time the Company will hold certain financial instruments comprising equity and non-equity shares, fixed income securities, interests in limited partnerships, structured products and cash and liquid resources. The Company may use derivatives, other than in relation to the sale of index futures, for hedging or tactical investment purposes. The Company may only sell index futures for efficient portfolio management purposes. For the avoidance of doubt, any derivative instrument may only be used with the prior authorisation of the Board.

The Company has the ability to enter into contracts to hedge against currency risks on both capital and income.

The Company's investment activities are subject to the following limitations and restrictions:

- under the Company's articles of association, up to 40% of the Company's total assets on the last audited balance sheet may be used to make investments of up to a maximum of 8% of the value of total assets in any one Company, at the time the investment is made. Thereafter, individual investments may not exceed 3% of the value of total assets, at the time the investment is made;
- the levels of gearing and gross gearing are monitored closely by the Board and the Manager. The Company applies a ceiling on gearing of 20%. While gearing will be employed in a typical range of 0% to 20%, the Company retains the ability to lower equity exposure to a net cash position if deemed appropriate;

- the Company has a policy not to invest more than 15% of total assets in other listed closed-ended investment funds; and
- the Company may not make investments in respect of which there is unlimited liability except that the Company may sell index futures for efficient portfolio management purposes.

### **Additional limitations on borrowings**

Leverage may be used where it is believed that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In a rising market borrowing will tend to enhance returns because of the increased exposure to the markets but it will tend to increase losses in the event of a falling market. Borrowings are therefore consistently monitored.

Under the Company's articles of association, the Directors control the borrowings of the Company and its subsidiaries to ensure that the aggregate amount of borrowings does not, unless approved by an ordinary resolution of shareholders, exceed the aggregate of the reserves excluding unrealised capital profits of the Company and its subsidiaries, as published in the latest accounts. In addition, the Directors are authorised to incur temporary borrowings in the ordinary course of business of up to 10% of the Company's issued share capital. Such temporary borrowings are to be for no longer than six months. The Manager must adhere to the borrowing limits noted above.

### **Investment strategy and techniques**

The Manager has a global investment approach that is managed by an investment team based in Edinburgh.

The Manager is not tied to any one investment style and prefers to retain a flexible approach in making investments for the global portfolio. The Manager will overwhelmingly invest funds in quoted equities, with the aim to maximize returns over the longer term.

Portfolio performance will deviate from comparator indices over discrete periods of time as the Manager aims to take a long-term perspective on portfolio holdings.

The Manager will invest funds to generate income from the portfolio consistent with the Company's stated objective to grow the ordinary dividend ahead of inflation over the longer term.

The Board may sanction the prudent use of borrowed money which the Manager may utilise to enhance performance.

### **Changes in investment policy or investment strategy**

The investment strategy may be changed at the discretion of the Company's Board of Directors subject to the limitation of the Company's articles of association.

The Company's investment policy may be amended by the passing of a special resolution at a meeting of the Company.

## **ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

### **The AIFM**

SIT Savings Limited is the AIFM of the Company with responsibility, amongst other things, for portfolio management and risk management of the assets of the Company. It is a wholly-owned subsidiary of the Company and is authorised and regulated by the Financial Conduct Authority.

### **Depository**

Northern Trust Global Services SE (the 'Depository') has been appointed as the Company's depository, as required by AIFMD. The depository holds or arranges for sub-custodians (such as The Northern Trust Company, London Branch, an affiliate of the depository) to hold, cash, securities and other assets of the Company and arranges and settles (directly or through sub-custodians) all transactions relating to those assets on behalf of the Company. The depository is responsible for the safe keeping of the Company's assets. The depository may delegate all or part of its custody or asset verification services.

There is no provision for transfer and reuse of Company assets in the agreement with the Depository.

### **Auditor**

The Company's auditor is Deloitte LLP. Its duties and responsibilities are to audit and report on the Company's financial statements in accordance with applicable law and auditing standards for all accounting periods during its appointment. Full details of the auditor's activities are disclosed in the Independent Auditor's Report contained in the Company's annual report which is accessible on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

### **Registrar**

The Company has appointed Computershare Investor Services PLC to act as the registrar of the Company. The duties of the registrar include;

- maintaining the register of shareholders
- certifying and registering transfers
- dealing with shareholder queries
- processing dividend payments
- dealing with the United Kingdom Listing Authority, CRESTCo and Registrar of Companies on behalf of the Company

The fees charged by the registrar are based on the number of shareholders on the register of members, and amongst other factors, the number of transfers that take place.

### **Investor rights against third party service providers**

The Company is reliant on the performance of third party providers including those set out above. No shareholder has any direct contractual claim against any service provider with respect to such service provider's default in providing its services to the Company. Any shareholder who believes they may have a

claim against any service provider in connection with their investment in the Company should consult their own independent legal adviser.

## **SHAREHOLDER INFORMATION**

### **Legal status and jurisdiction of the Company**

The Company is a public company limited by shares under the Companies Act with registered number SC001651. It is incorporated in Scotland and has its registered office at 6 Albyn Place, Edinburgh EH2 4NL.

### **Articles of association**

The Company's articles of association set out the respective rights and restrictions attaching to the Company's shares and are binding on the Company and its shareholders. All shareholders are entitled to the benefit of, and are bound by, the Company's articles of association. The Company's articles of association are governed by Scots law.

### **Annual reports and financial statements**

Copies of the Company's latest annual and interim reports may be accessed on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

### **Publication of net asset value per share**

The latest net asset value per share of the Company may be accessed on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

### **Historical performance of the Company**

A 10 year record of key figures is provided in the Company's annual report and accounts which can be accessed at [www.thescottish.co.uk](http://www.thescottish.co.uk).

Additional historical performance information is available in Investors' Newsletters and Factsheet available on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

**Investors should note that past performance is not indicative of future performance. Investors may not get back the amount invested.**

### **Share capital**

The Company's share capital comprises a single class of ordinary shares.

The ISIN number for the Company's shares is GB0007826091 and the SEDOL is 0782609. The shares are issued in registered form and may be held either in certificated form or through CREST.

### **Purchases and sales of shares by investors**

As it is listed on the London Stock Exchange, any investor can buy shares in the Company directly in the market. Such a transaction would be subject to the terms of business of the investor's chosen purchase route.

The Company will typically have shareholder authority to buy back shares; however, shareholders do not have the right to have their shares purchased by the Company.

## **Valuation Policy**

Listed investments and current asset investments are valued at fair value through profit and loss. Fair value is the closing bid or last traded price according to the recognised convention of the markets on which they are quoted. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Where appropriate, the Directors of the Company have adopted the guidelines issued by the International Private Equity and Venture Capital Association for the valuation of unlisted investments.

Heritable property is included at a professional valuation. Depreciation is not charged on heritable property as it is not material. Realised surpluses or deficits on the disposal of investments, permanent impairments in the value of investments and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve.

Year-end exchange rates are used to translate the value of investments which are denominated in foreign currencies.

## **Fees charges and expenses**

The Company is liable for any and all expenses and liabilities which it incurs or suffers, without limitation. Shareholders are not directly liable for the debts of the Company and their indirect liability is limited to the value of their respective investments in the Company. Investors would not be obliged to make any further contribution to the assets of the Company in the event of the Company's insolvency.

The Company's management expenses and ongoing charges figure are detailed in the annual report and accounts which can be accessed at [www.thescottish.co.uk](http://www.thescottish.co.uk).

Expenses of the Company include:

- (a) Fees, charges and expenses to service providers including the depositary, auditor, registrar and professional advisers.
- (b) Interest on borrowings.
- (c) Employee related costs.
- (d) Insurance.
- (e) Periodic fees such as listings fees and other fees to the Financial Conduct Authority.
- (f) Taxation.
- (g) Cost of shareholder communication, including annual and interim report printing and postage.

## **Fair treatment of investors**

The legal and regulatory regime to which the Company, Manager and Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all shareholders of the same class of share equally.

In particular, as Directors of a company incorporated in the UK, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has the right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investor.

The Company will disclose on its website at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion any information that it is required to in terms of FUND 3.2.5 and FUND 3.2.6.

## **INVESTMENT RISKS**

The principal risks and uncertainties facing the business are as follows:

### **Strategic**

Risk in relation to the ongoing attractiveness and sustainability of the Company's investment objective placing pressure on the share price discount to net asset value per share.

### **Investment portfolio and performance**

The holding of securities and investing activities involve certain inherent risks, principally in relation to market risk.

A contrarian investment approach is a distinctive style that may deviate from comparator indices and peer group performance over discrete periods.

### **Financial**

The Company's normal business activities are exposed to market risk (including market price risk, foreign currency risk and interest rate risk), liquidity risk, credit risk and counterparty risk.

### **Operational**

Failure of the Company's or third party service providers' systems could result in a misappropriation of assets or an inability to report to shareholders. There could be a possible impact on reputation if any such events were to occur. The Company is also exposed to the operational risk that one or more of its service providers may not provide the required level of service.

The threat of cyber attack has become more prevalent across all sectors.

### **Tax, legal and regulatory**

The Company is required to comply with a range of legislation and regulation and may be impacted by changes in the external environment.

These and other risks facing the Company are reviewed regularly by the audit committee and the Board.

Details of the Company's key risks are also set out in the Company's annual report and accounts, which may be accessed at; [www.thescottish.co.uk](http://www.thescottish.co.uk).



## **RISK MANAGEMENT**

### **Risk profile**

As an investment trust, the Company invests in equities and other investments for the long term so as to secure its investment objective. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets and a reduction in the profits available for dividend.

The main risks include; strategic, investment portfolio and performance, financial risk (including market price risk, foreign currency risk and interest rate risk), operational and tax legal and regulatory. The Manager assesses the Company's risk on an ongoing basis.

### **Risk management systems**

The Company's policies and processes for managing the risks, and the methods used to measure the risks, are disclosed periodically to investors in the Company's annual report and accounts which can be accessed on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

### **Liquidity risk management**

Almost all of the Company's assets comprise listed securities which represent a ready source of funds. In addition, the maturity profile of the Company's borrowings is included in the notes to the annual report and accounts which can be accessed on the Company's website; [www.thescottish.co.uk](http://www.thescottish.co.uk).

### **Professional negligence liability risks**

The Manager maintains an amount of own funds to meet the professional liability risks set out in article 12 of the AIFMD level 2 regulation.

### **Sustainability risk management**

The consideration of Environmental Social and Governance (ESG) factors is an important part of the Company's investment process as it is believed that poor practices can have an impact on the value of the investments and/or potential investments. Prescriptive criteria is not applied but instead the specific circumstances of each situation is considered. When investments are made, the primary objective is to achieve the best investment return while allowing for an acceptable degree of risk. In pursuing this objective, various factors that may impact on the performance of the investment are considered which includes ESG issues.

### **Brokerage practices and use of dealing commission**

The Company does not employ a prime broker.

The Manager records the allocation of compensation paid to brokers for the services they provide which will include execution and non-execution services such as research. Details are available to any investor in the Company on request.

## **AMENDMENTS TO THIS DOCUMENT**

The information in this document will be reviewed and updated at least annually. Changes will be notified to investors by disclosure on the Company's website [www.thescottish.co.uk](http://www.thescottish.co.uk).