



ALASDAIR MCKINNON

As fresh challenges emerged in the fight against Covid-19, the global stockmarket ended January with a modest decline. The appearance of new variants of the coronavirus dampened earlier optimism about a US stimulus package and the reopening of economies. It was a notably volatile month, in part because an army of day traders, coordinating their actions using online message boards, squeezed certain stocks higher. Markets were also swayed by the shift in the US political landscape and the reporting of full year corporate results.

In a bid to curb rising infections and constrain worrying mutations in the virus, governments tightened lockdowns and imposed new travel restrictions. The impact on economic activity and confidence was clear in US labour statistics, which showed some weakness and caused concern about the pace of the recovery. Against this, the gradual ramping up of vaccination programmes offered some grounds for optimism.

After significant unrest in Washington, which led to the second impeachment of Donald Trump, Joe Biden was inaugurated as US president. This, alongside Democratic wins in the Senate election run-offs in Georgia, cemented expectations for a major round of fiscal stimulus, offering important support for economically sensitive stocks. We think that extraordinary stimulus adds to inflationary pressures in a way that is underappreciated by many investors. We believe that our investments in gold miners should thrive in a more inflationary environment.

“governments tightened lockdowns”

As investors weighed concerns about the coronavirus against further fiscal support, the vaccine rollout and a potential rebound in economic activity, sector performance was mixed. The strongest sector was energy, helped by an improving outlook for the oil price. Saudi Arabia surprised the market by cutting a million barrels of daily production. We anticipate our energy investments benefiting from a resumption of normal activity as lockdown restrictions are gradually eased.

The poorest returns came from consumer staples, a sector that will benefit less from an economic rebound.

The only major region to generate positive returns was Asia (ex Japan), helped by some encouraging economic data from China. Latin America was the weakest region, reversing some of December's strong gains as the Brazilian central bank adopted a more hawkish stance.

One of our best performers in January was Gilead Sciences, a US bio-pharmaceutical business. Today, Gilead is perhaps best known for offering the first treatment for Covid-19, through its antiviral medicine remdesivir. In our view, the real opportunity for the company lies elsewhere. Its valuation has been depressed by downbeat assumptions for growth. Our view, however, is that this overlooks the opportunity for improvement as CEO Daniel O'Day puts his stamp on the company. Gilead has several interesting new medicines in development and the company is boosting its pipeline by putting its strong balance sheet and robust cash generation to good use. An update from the company in January signalled a return to growth this year, and we believe that the shares can re-rate as the company defies gloomy expectations.

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Performance

Total return on £100 to 31 January 2021	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	97.4	91.5	90.4	140.2	184.1
NAV per share ⁽²⁾	95.7	93.1	91.4	134.2	176.8
MSCI All Countries World Index	112.1	112.3	130.1	195.1	273.9
MSCI UK All Cap Index	112.2	91.3	95.7	129.0	165.6

Summary balance sheet

	31/01/2021	31/12/2020	Total return
Market capitalisation	£493m	£500m	
Total assets	£654m	£674m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£570m	£590m	
NAV ⁽²⁾ per share	764.6p	778.2p	-1.0%
NAV ⁽³⁾ per share	807.1p	822.7p	-1.2%
Share price	698.0p	698.0p	0.9%

⁽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	65
Gearing/(net cash) ⁽²⁾	7%
Discount to NAV ⁽²⁾	8.7%

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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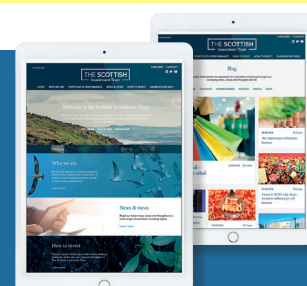
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The Scottish Investment Trust PLC



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 January 2021)

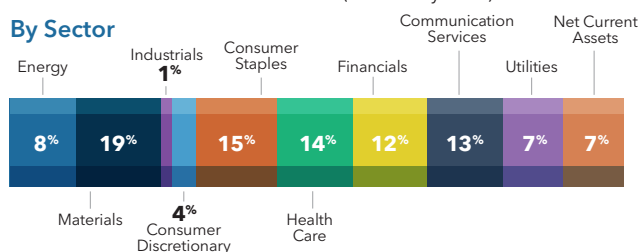
Holding	Sector	Country	£m	% ⁽⁴⁾
Newmont	Materials	US	41.1	6.3
Barrick Gold	Materials	Canada	34.2	5.2
Newcrest Mining	Materials	Australia	31.8	4.9
Pfizer	Health Care	US	21.2	3.2
Japan Tobacco	Consumer Staples	Japan	21.0	3.2
BT	Communication Services	UK	17.5	2.7
United Utilities	Utilities	UK	16.2	2.5
Gilead Sciences	Health Care	US	16.1	2.5
Kirin	Consumer Staples	Japan	15.7	2.4
Tesco	Consumer Staples	UK	15.6	2.4
Aggregate of top 10 holdings			230.4	35.3

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

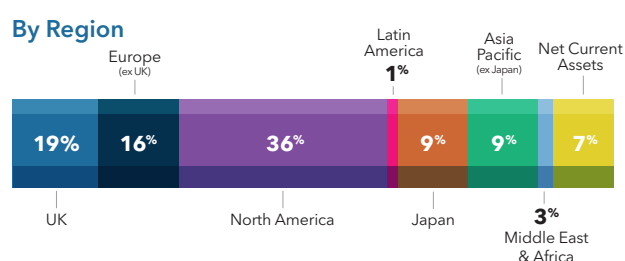
⁽⁴⁾ Percentage of total assets

Distribution of total assets (31 January 2021)

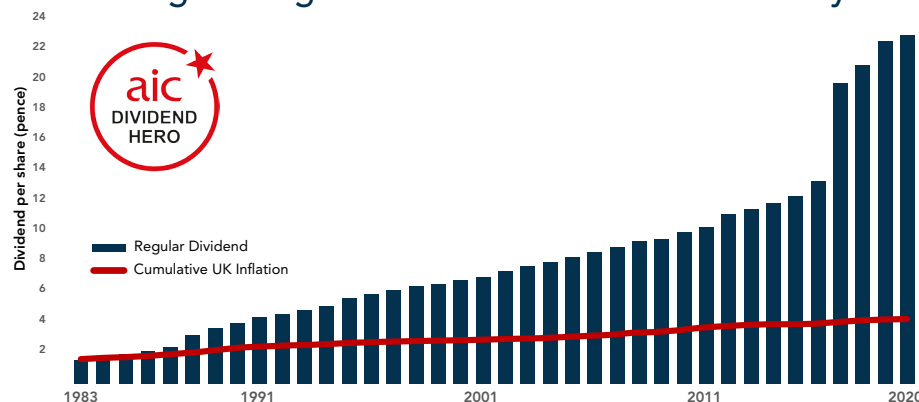
By Sector



By Region



Increasing our regular dividend for 37 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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