



ALASDAIR MCKINNON

Overall, global equity markets were little changed in February, but this outcome masked some significant moves. Falling Covid infection rates and the prospect of massive US stimulus led to increased optimism about an economic recovery and, consequently, enthusiasm for the stocks most sensitive to a reopening of the economy. Accordingly, 'value' stocks outpaced their 'growth' counterparts.

As the vaccine rollout was ramped up, the falling rates of infection allowed some governments, including that of the UK, to set out plans for a gradual removal of lockdowns. In the bond market, the closely watched US 10-year Treasury yield reached its highest level in over a year on the prospect of more normal interest rates, economic recovery and inflationary pressure.

The bond market movements were fuelled by the progress of President Biden's \$1.9 trillion relief package. The bill passed its first hurdle by gaining approval in the House of Representatives. We believe that many investors have not fully appreciated the inflationary impact of massive stimulus programmes. Higher bond yields have negative implications for 'growth' stocks as they diminish the value of potential future earnings.

The month's strongest sector was energy, which delivered double-digit returns. The oil price surged by 18% on optimism about an economic recovery and continued supply restraint. Financials were also strong, with banks benefiting from rising long-term yields. The weakest sectors were those least exposed to a recovering economy.

“optimism about an economic recovery”

Utilities was the worst performer, followed by health care and consumer staples.

By region, the UK was the best performer, helped by its heavy weighting to energy. Latin America was the weakest region, as its markets were unsettled by the Brazilian government's decision to oust the CEO of listed oil company Petrobras in response to rising fuel prices.

We believe that many investors are underestimating the durability of the recovery for economically sensitive stocks whose earnings were depressed during the pandemic. To take advantage of the recovery, we have made some significant changes to the portfolio. These are designed to capitalise on opportunities we believe have the greatest rebound potential - including banks, energy, travel, leisure, retail, and industrial goods and services.

One recent addition to the portfolio is Six Flags Entertainment. In February, it was one of our best performing stocks, rising by over 30%. Six Flags operates 26 regional theme parks in North America, making it the world's largest operator of regional theme parks. The company stands to benefit significantly from the lifting of lockdowns and should be helped by the fact that it specialises in outdoor activities. As lockdowns began, Six Flags moved quickly to safeguard its finances and conserve cash. The company also has a plan to improve profitability, which began before the pandemic. This adds leverage to the earnings recovery and should allow Six Flags to emerge as a better company. We believe that most investors have yet to appreciate this.

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Performance

Total return on £100 to 28 February 2021	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	97.4	101.3	93.8	139.7	186.5
NAV per share ⁽²⁾	98.0	100.8	95.3	134.6	178.7
MSCI All Countries World Index	108.3	119.0	132.2	193.9	271.6
MSCI UK All Cap Index	112.5	102.4	101.6	130.3	164.9

Summary balance sheet

	28/02/2021	29/01/2021	Total return
Market capitalisation	£478m	£493m	
Total assets	£639m	£654m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£554m	£570m	
NAV ⁽²⁾ per share	774.8p	764.6p	1.3%
NAV ⁽³⁾ per share	812.7p	807.1p	0.7%
Share price	701.0p	698.0p	0.4%

⁽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	51
Gearing/(net cash) ⁽²⁾	7%
Discount to NAV ⁽²⁾	9.5%

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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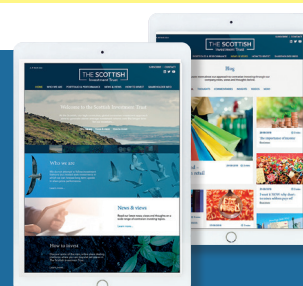
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The Scottish Investment Trust PLC



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 (28 February 2021)

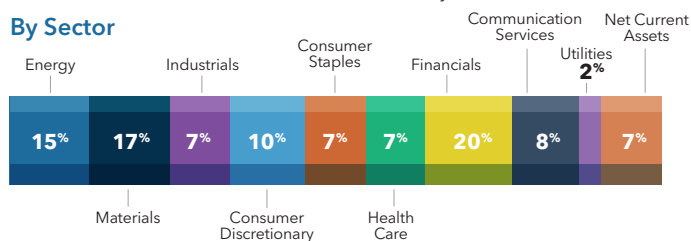
Holding	Sector	Country	£m	% ⁽⁴⁾
Newcrest Mining	Materials	Australia	30.9	4.8
Newmont	Materials	US	28.1	4.4
Barrick Gold	Materials	Canada	25.5	4.0
East Japan Railway	Industrials	Japan	19.9	3.1
Exxon Mobil	Energy	US	19.0	3.0
Cheesecake Factory	Consumer Discretionary	US	18.9	3.0
Wells Fargo	Financials	US	18.5	2.9
BT	Communication Services	UK	18.4	2.9
Banco Santander	Financials	Spain	18.0	2.8
Total	Energy	France	18.0	2.8
Aggregate of top 10 holdings			215.2	33.7

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

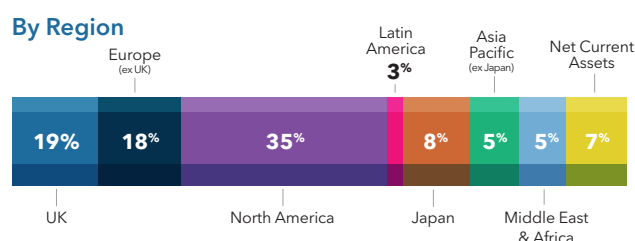
⁽⁴⁾ Percentage of total assets

Distribution of total assets (28 February 2021)

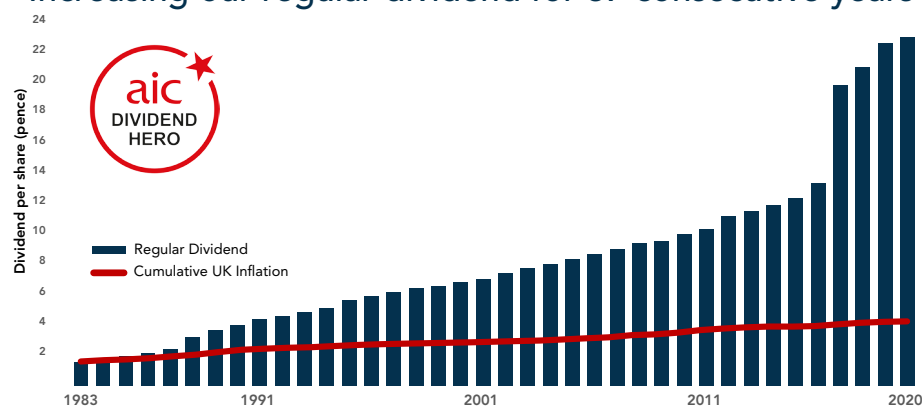
By Sector



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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