



ALASDAIR MCKINNON

Equity markets made gains in March, with some major indices reaching record highs. Sentiment was buoyed by vaccination rollouts and fiscal stimulus programmes in the US.

Hopes rose for a strong economic recovery as President Biden indicated that 200 million vaccination shots would be administered in his first 100 days in office, double the original target. He also signed a \$1.9 trillion support package that included direct payments to most Americans. Later in the month plans were announced for a \$2.25 trillion infrastructure plan to be funded through higher taxes.

Progress with stimulus and vaccinations supports our view that the pace and durability of the economic rebound are being underestimated. We believe that our portfolio is well placed to capitalise on the recovery.

Not all news on the fight against the virus was good, however. The rapid progress in vaccinations in the US contrasted with the faltering rollout in Europe. As infections rose, some countries tightened restrictions, deferring their economic recovery.

Bond yields rose in March, with US 10 year Treasuries reaching new pandemic-era highs. A rise in bond yields often indicates increasing inflation expectations. In our view, the extraordinary monetary and fiscal support that followed the pandemic will ultimately prove inflationary. The US Federal Reserve sought to play down this prospect at its March meeting and indicated that there would be no rate hikes until 2023. However, some central banks did see a need to increase interest rates in order to tame inflation. Brazil, Russia and

Turkey all moved their rates upwards, though the latter's action subsequently cost the governor of the Turkish central bank his job.

With utilities, consumer staples and industrials all making strong gains in March, 'value' stocks outpaced their 'growth' counterparts. Communication services, information technology and consumer discretionary lagged.

The strongest region was Latin America, reversing its weakness in February. This came as Brazil moved to provide additional financial support during the pandemic by flexing fiscal stability rules.

The UK, Europe and North America also made solid gains. The sole region to register a decline was Asia, where China set out economic plans that put restructuring and deleveraging ahead of headline GDP growth.

One of our strongest performers in March was BT, which increased in value by more than a quarter. The valuation of its shares had steadily declined in recent years, reflecting the various challenges facing the business, including those arising from the pandemic. The clouds appear to be lifting for BT and we believe that its current valuation does not yet fully reflect recent positive developments.

There were two such developments in March for BT. The first was an update from the regulator, Ofcom, which provided greater certainty on the returns from fibre investment over the next decade. The second was the UK Budget, which included a tax 'super-deduction' for companies investing in infrastructure. Telecoms companies are often overlooked by investors, but we see those with improving prospects as underappreciated opportunities.

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### Performance

Total return on £100 to 31 March 2021	6 months	1 year	3 years	5 years	10 years
Share price <sup>(1)</sup>	107.2	119.5	104.5	146.5	193.2
NAV per share <sup>(2)</sup>	106.4	113.9	105.8	138.7	189.3
MSCI All Countries World Index	112.4	138.9	143.2	193.7	278.7
MSCI UK All Cap Index	118.5	125.3	107.2	133.0	173.1

### Summary balance sheet

	31/03/2021	28/02/2021	Total return
Market capitalisation	£499m	£478m	
Total assets	£665m	£639m	
Borrowings at amortised cost	£84m	£84m	
Net assets <sup>(3)</sup>	£581m	£554m	
NAV <sup>(2)</sup> per share	831.0p	774.8p	7.3%
NAV <sup>(3)</sup> per share	869.1p	812.7p	6.9%
Share price	746.0p	701.0p	6.4%

<sup>(1)</sup> Net income reinvested and before expenses are deducted.

<sup>(2)</sup> With borrowings at market value <sup>(3)</sup> 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	3.1%
Number of listed holdings	51
Gearing/(net cash) <sup>(2)</sup>	7%
Discount to NAV <sup>(2)</sup>	10.2%

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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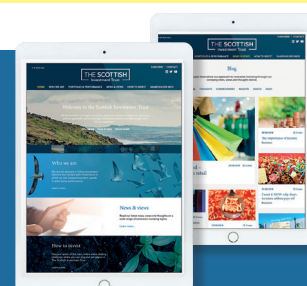
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The Scottish Investment Trust PLC



## 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 March 2021)

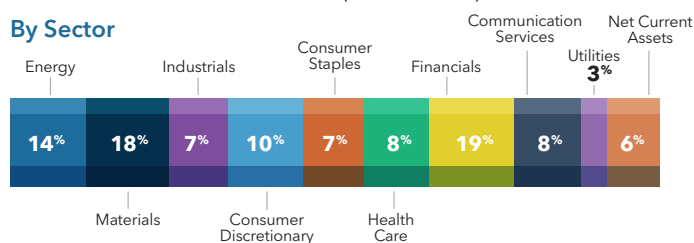
Holding	Sector	Country	£m	% <sup>(4)</sup>
Newmont	Materials	US	31.5	4.7
Newcrest Mining	Materials	Australia	29.5	4.4
Barrick Gold	Materials	Canada	27.4	4.1
BT	Communication Services	UK	23.2	3.5
Cheesecake Factory	Consumer Discretionary	US	20.4	3.1
Wells Fargo	Financials	US	20.2	3.0
Exxon Mobil	Energy	US	19.7	3.0
East Japan Railway	Industrials	Japan	19.4	2.9
Banco Santander	Financials	Spain	17.7	2.7
Halliburton	Energy	US	17.5	2.6
Aggregate of top 10 holdings			226.5	34.0

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

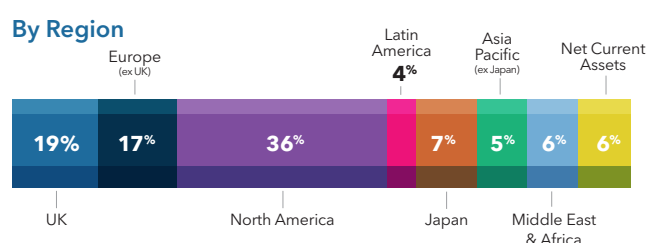
<sup>(4)</sup> Percentage of total assets

## Distribution of total assets (31 March 2021)

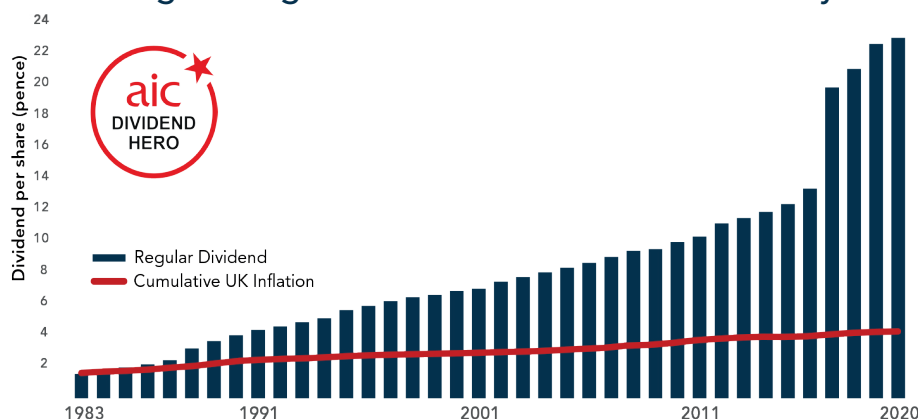
### By Sector



### 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.

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Authorised and regulated by the Financial Conduct Authority.

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