



ALASDAIR MCKINNON

Global equities were strong in June. As markets expressed confidence in the ability of the US Federal Reserve (Fed) to contain inflation, growth stocks outpaced their value counterparts. This optimism about inflation was set against increasing concerns that Covid infections could surge again as restrictions are eased and a more infectious variant predominates.

With the economic recovery progressing, US core inflation, the measure favoured by the Fed, jumped to a 28-year high. We believe that inflationary pressures will be more difficult to contain than many assume and that our portfolio should benefit.

Although the Fed insists that inflation will be “transitory”, there were signs of growing concern from its officials. Fed chair Jay Powell conceded that inflation had been higher than anticipated and that the Fed’s ‘dot plot’ suggested that rates are set to rise more quickly to rein in rising prices.

In the UK, inflation was also ahead of expectations and the Bank of England’s target. Despite this, the central bank left policy unchanged. However, outgoing chief economist Andy Haldane warned that history teaches us that inflation initially considered temporary is often the “thin end of a thick wedge”, raising the prospect of more radical monetary tightening at a later date. Prices are also rising elsewhere with China, for example, seeing factory prices increasing at their fastest rate since 2008.

With Covid infection rates rising sharply in the UK, relaxation of restrictions was pushed back to 19 July. Current concerns about the

highly infectious Delta variant suggest that the economic recovery will not be a linear process.

Stimulus looks set to remain a crucial part of the recovery effort. In the US, further steps were made towards securing the next support package. President Biden’s \$1 trillion infrastructure plan secured the backing of a bipartisan group, but much work remains to get a bill over the line.

In global equity markets, information technology was the strongest sector, helped by lower bond yields, followed by energy and health care. Materials, financials and utilities all recorded modest

declines for the month. As the inventories accumulated during the pandemic declined, oil prices rose to multi-year highs.

Latin America was the strongest region, closely followed by North America. The UK was the weakest, barely eking out a gain.

We have previously written about the opportunity for improvement and the valuable assets that we see within BT, one of our largest investments. Its shares recorded another strong month as further interest in the company came to light. Telecommunications billionaire Patrick Drahi announced a substantial purchase of BT shares, citing the significant opportunity to build out the UK’s fibre network.

In recent years, BT has endured many challenges, including those related to the pandemic. However, some of those headwinds now appear to be abating. Recent clarity on fibre investment helps underpin BT’s infrastructure business. We believe that other investors are overlooking the company’s improving outlook and attractive assets.

“stimulus looks set to remain”

www.thescottish.co.uk/subscribe

Subscribe to receive our newsletter, factsheet and other highlights

Performance

Total return on £100 to 30 June 2021	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	115.6	109.3	100.2	149.0	202.4
NAV per share ⁽²⁾	114.4	107.4	100.3	138.8	195.7
MSCI All Countries World Index	111.1	124.6	143.7	191.4	298.7

Summary balance sheet	30/06/2021	31/05/2021	Total return
Market capitalisation	£527m	£532m	
Total assets	£694m	£706m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£609m	£621m	
NAV ⁽²⁾ per share	877.0p	896.1p	-2.1%
NAV ⁽³⁾ per share	917.8p	935.7p	-1.9%
Share price	794.0p	801.0p	-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	2.9%
Number of listed holdings	52
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

info@thescottish.co.uk 0131 225 7781

The Scottish Investment Trust PLC, 6 Albyn Place, Edinburgh, EH2 4NL

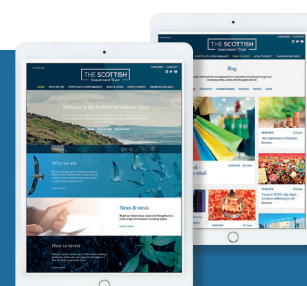
www.thescottish.co.uk



@ScotInvTrust



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 (30 June 2021)

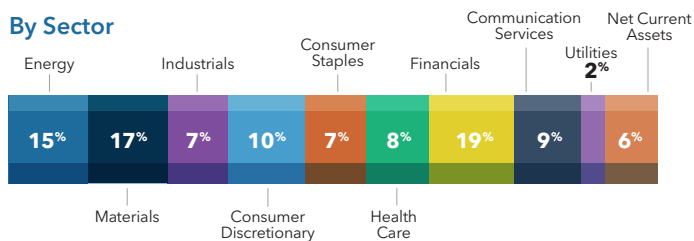
Holding	Sector	Country	£m	% ⁽⁴⁾
Newmont	Materials	US	33.1	4.8
Newcrest Mining	Materials	Australia	30.1	4.3
BT	Communication Services	UK	29.0	4.2
Barrick Gold	Materials	Canada	28.6	4.1
Wells Fargo	Financials	US	23.4	3.4
Exxon Mobil	Energy	US	21.7	3.1
Banco Santander	Financials	Spain	19.8	2.9
East Japan Railway	Industrials	Japan	19.5	2.8
Halliburton	Energy	US	18.9	2.7
Cheesecake Factory	Consumer Discretionary	US	18.9	2.7
Aggregate of top 10 holdings			243.0	35.0

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

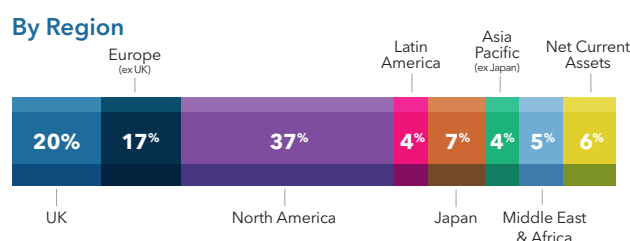
⁽⁴⁾ Percentage of total assets

Distribution of total assets (30 June 2021)

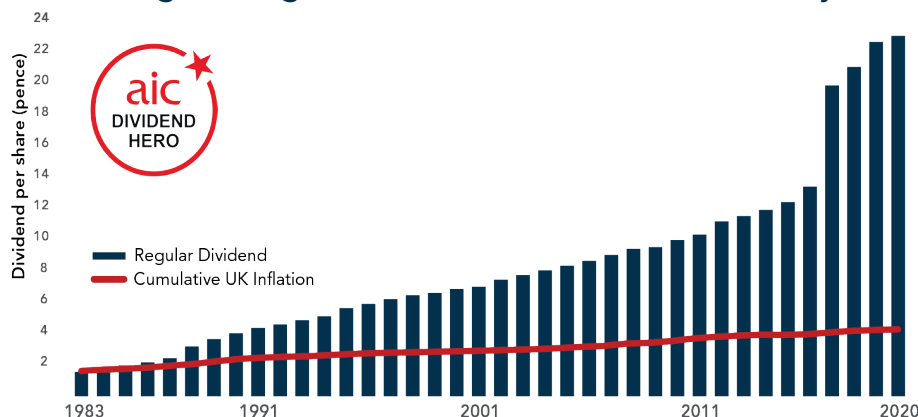
By Sector



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.

Telephone: 0131 225 7781 | Email: info@thescottish.co.uk | Website: www.thescottish.co.uk