THE SCOTTISH Investment Trust

Monthly Factsheet
July 2021

ALASDAIR MCKINNON

As investors digested the quickening pace of Covid-19 infections and the potential repercussions for monetary policy and economic recovery, the world's equity markets gyrated in July. Despite there being considerable turbulence along the way, in aggregate, markets were little changed over the month.

Driven by the more infectious Delta variant, a surge in Covid cases led some to question how quickly normal activity would resume. Nevertheless, the rapid pace of vaccinations in the UK meant that many restrictions were lifted in July. We believe that the road to recovery will not be easy, but that the direction of travel is clear. Our portfolio contains companies that are set to benefit from recovery, though importantly, we see potential for them to sustainably increase earnings, not merely recover to pre-pandemic levels.

> "direction of travel is clear"

In the US, inflation data was again higher than expectations, rising at the fastest annual pace since 1991. The Federal Reserve continued to argue that an elevated pace of price rises would prove temporary but admitted that they were closer to achieving the conditions necessary to begin withdrawing its ultra-accommodative policy. In Europe, the European Central Bank strategy review, effectively allowed inflation to rise above the previous ceiling of 2% over the medium-term. We expect inflation to prove more persistent than many currently assume.

China's apparent policy shift to increase restrictions on certain sectors caused significant volatility in markets over the month. The move appears to be particularly focused on technology companies – many of which suffered significant share price falls in July. We have long considered tightened regulation an inevitability as digital industries mature. There is a growing push from regulators around the world to appropriately tax and supervise technology businesses and we believe that this threat is not yet fully recognised.

Second-quarter earnings reports drove returns for many stocks. The strongest gains came from the healthcare sector, followed by information technology and materials. Energy recorded the weakest returns as Opec reached an agreement to increase production. Meanwhile, consumer discretionary and financials lagged on tempered hopes for the recovery and depressed bond yields. Europe and North America were the strongest regions. Asian indices were badly hit by China's technology crackdown.

One of our best performers in July was PageGroup, in which we initiated a position earlier this year. Based in the UK, PageGroup is one of the world's leading recruitment firms, with operations in 37 countries across Europe, North America, Latin America and Asia. The labour market has been depressed by the pandemic, and a normalisation of activity should provide a tailwind for fee growth. Results announced during the month confirmed strong momentum, resulting in an improved profit outlook for this year.

We are also looking beyond the pandemic-driven rebound. The company's longer-term strategy involves growing organically, expanding into new regions, industry sectors and professional disciplines. PageGroup's strong balance sheet makes the business well placed to navigate downturns, grow the business and return cash to shareholders.

www.thescottish.co.uk/subscribe
Subscribe to receive our newsletter, factsheet and other highlights

Performance

Total return on £100 to 31 July 2021	6 months	1 year	3 years	5 years	10 years
Share price (1)	110.5	107.6	95.3	133.3	203.9
NAV per share (2)	111.1	106.3	94.0	126.7	196.8
MSCI All Countries World Index	112.2	125.7	138.7	182.3	310.6

Summary balance sheet

Summary balance sheet	31/07/2021	30/06/2021	Total return
Market capitalisation	£503m	£527m	
Total assets	£667m	£694m	
Borrowings at amortised cost	£84m	£84m	
Net assets (3)	£583m	£609m	
NAV (2) per share	838.2p	877.0p	-3.8%
NAV (3) per share	880.6p	917.8p	-3.4%
Share price	760.0p	794.0p	-3.6%

(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	3.1%
Number of listed holdings	51
Gearing/(net cash) (2)	7%
Discount to NAV (2)	9.3%

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 (31 July 2021)

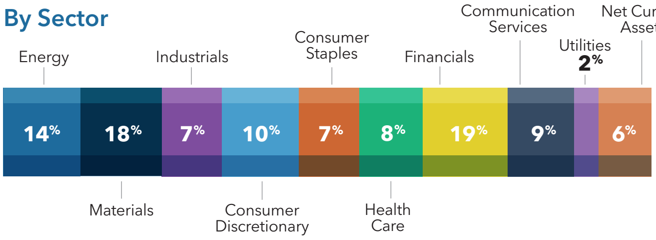
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	32.6	4.9
Newcrest Mining	Materials	Australia	30.6	4.6
Barrick Gold	Materials	Canada	29.9	4.5
BT	Communication Services	UK	26.0	3.9
Wells Fargo	Financials	US	23.6	3.5
Exxon Mobil	Energy	US	19.7	3.0
Banco Santander	Financials	Spain	18.9	2.8
East Japan Railway	Industrials	Japan	18.0	2.7
Royal Dutch Shell	Energy	UK	17.4	2.6
Halliburton	Energy	US	16.8	2.5
Aggregate of top 10 holdings			**233.5**	**35.0**

Link to a full list of holdings

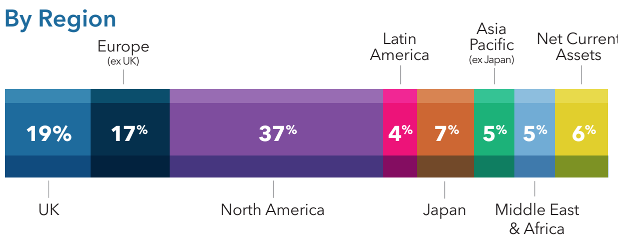
[4] Percentage of total assets

Distribution of total assets (31 July 2021)

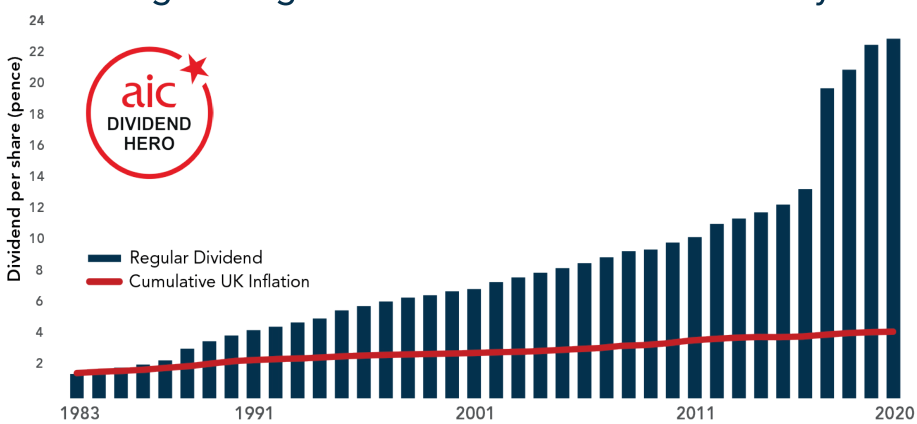
By Sector



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