



ALASDAIR MCKINNON

As investors adjusted to the prospects of a tightening of central bank policy and growing risks for Chinese businesses, the world's equity markets rose in August.

Following the US authorities' full approval of the Pfizer-BioNTech Covid vaccine, hopes rose for an acceleration of vaccination programmes and, consequently, the economic recovery. Meanwhile, various countries considered providing booster shots for those most vulnerable.

The closely watched central bankers' symposium at Jackson Hole produced few fresh clues as to the speed and timing of the withdrawal of accommodative monetary policy. Most major central banks continue to argue that inflationary pressures will prove to be temporary. We, however, see strong cost-push and demand-pull drivers of price increases that show no signs of imminently abating.

In recent months, China's authorities have increased their scrutiny of several sectors, most notably technology. This comes as the Chinese government reprioritises its social goals, with measures to restrict online gaming imposed in August. In the US, the Securities and Exchange Commission ramped up pressure on the overseas listings of Chinese companies. Hong Kong listed shares entered a bear market during the month, having fallen 20% from their previous peak. This decline was exacerbated by

the increased regulatory pressure and the looming default of highly indebted property developer Evergrande.

The mounting concerns about the Chinese property sector contributed to a sharp fall in the price of iron ore, as did production curbs ahead of the Winter Olympics in Beijing. As a result, materials was the weakest sector in August. Financials produced the best returns for the month.

The poorest performing regions were Latin America and the UK, in part because of their exposure to mining companies.

Japan made the largest gains. This came as Yoshihide Suga, the prime minister, announced that he would not stand in his party's upcoming leadership elections, fuelling speculation that his successor might ramp up economic stimulus.

Among our best performers in August was UK engineering services firm Babcock. This company plays a critical role in supporting the UK's defence capabilities. Its new chief executive is working to turnaround poor profitability by streamlining the group and improving operating performance. Babcock is steadily disposing of non-core segments to refocus on its strongest businesses, bolstering the balance sheet in the process. In August, the company made progress with this strategy, announcing the sale of Frazer-Nash Consultancy at an attractive price. We believe that Babcock's determination to transform has not yet been fully recognised by many investors.

**“cost-push and demand-pull drivers”**

[www.thescottish.co.uk/subscribe](http://www.thescottish.co.uk/subscribe)

Subscribe to receive our newsletter, factsheet and other highlights

## Performance

Total return on £100 to 31 August 2021	6 months	1 year	3 years	5 years	10 years
Share price <sup>(1)</sup>	111.2	108.3	97.9	129.7	221.4
NAV per share <sup>(2)</sup>	111.4	109.2	97.8	126.3	216.3
MSCI All Countries World Index	115.6	125.2	141.2	185.6	344.1

Summary balance sheet	31/08/2021	31/07/2021	Total return
Market capitalisation	£508m	£503m	
Total assets	£675m	£667m	
Borrowings at amortised cost	£84m	£84m	
Net assets <sup>(3)</sup>	£591m	£583m	
NAV <sup>(2)</sup> per share	851.2p	838.2p	1.6%
NAV <sup>(3)</sup> per share	892.4p	880.6p	1.3%
Share price	768.0p	760.0p	1.1%

<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	3.0%
Number of listed holdings	51
Gearing <sup>(2)</sup>	7%
Discount to NAV <sup>(2)</sup>	9.8%

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

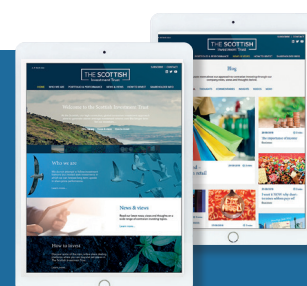
[www.thescottish.co.uk](http://www.thescottish.co.uk)



@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 August 2021)

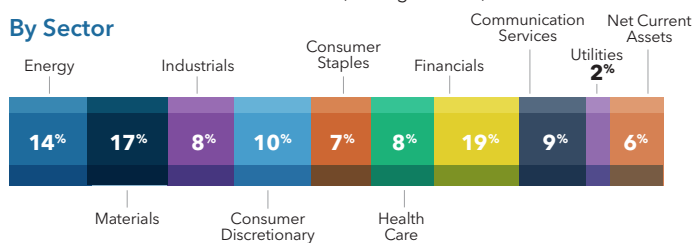
Holding	Sector	Country	£m	% <sup>(4)</sup>
Newmont	Materials	US	30.4	4.5
Newcrest Mining	Materials	Australia	28.7	4.3
Barrick Gold	Materials	Canada	27.8	4.1
BT	Communication Services	UK	25.4	3.8
Wells Fargo	Financials	US	23.7	3.5
Banco Santander	Financials	Spain	19.2	2.9
Exxon Mobil	Energy	US	18.9	2.8
East Japan Railway	Industrials	Japan	18.6	2.8
Gilead Sciences	Health Care	US	17.9	2.7
Royal Dutch Shell	Energy	UK	17.6	2.6
<b>Aggregate of top 10 holdings</b>			<b>228.2</b>	<b>34.0</b>

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

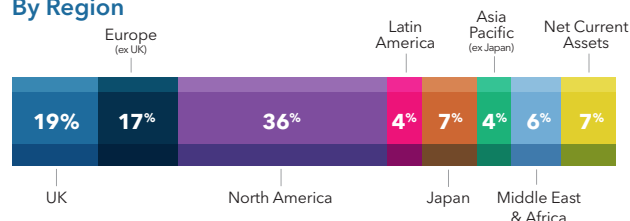
<sup>(4)</sup> Percentage of total assets

## Distribution of total assets (31 August 2021)

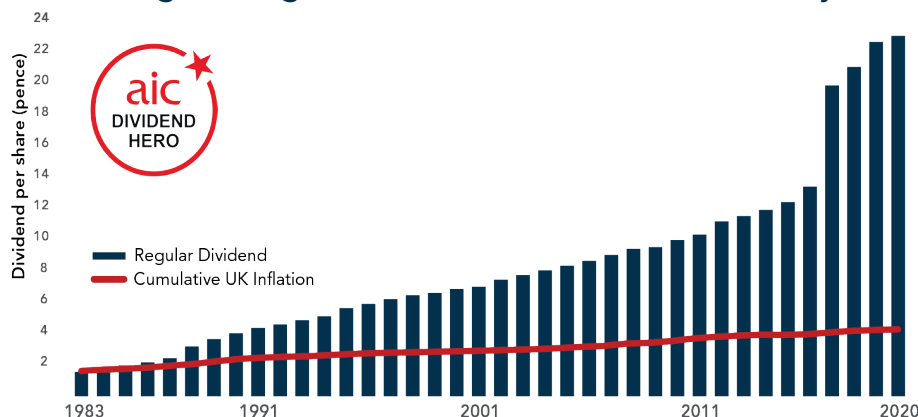
### By Sector



### 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](mailto:info@thescottish.co.uk) | Website: [www.thescottish.co.uk](http://www.thescottish.co.uk)