THE SCOTTISH Investment Trust

Monthly Factsheet
September 2021

ALASDAIR MCKINNON

As concerns about inflation grew and supply-chain bottlenecks caused the global economy to stutter, equity markets fell in September. Investors' unease was compounded by further signs that central bankers are preparing to tighten monetary policy. These developments were reflected in rising bond yields and in the marked outperformance of 'value' stocks over 'growth'.

In the US, employment data was significantly weaker than expected, fuelling fears that the lingering threat of the Delta variant might constrain the economic recovery. These fears were echoed in news from China, where several major economic datapoints fell short of expectations.

> "marked outperformance of 'value' stocks"

With inflationary pressures rising, the world's central banks looked set to rein in the emergency support that has been in place since the onset of the pandemic. The European Central Bank trimmed its programme of bond purchases with the US expected to move similarly in the coming months. The Federal Reserve's committee members have also set out guidance for increased interest-rates, which could be implemented in 2022. Meanwhile, Bank of England's officials were revealed as being evenly split on a rate rise.

Corporate results confirmed widespread supply-chain issues and inflationary pressures. Many companies noted difficulties in securing materials and labour, leading to rising costs across a variety of sectors. This was the case both in the UK and around the world.

In China, concerns mounted over the financial stability of property developer Evergrande, which has debt of $310bn outstanding. Some feared that 'contagion' could spread through financial markets if the company succumbs to a disorderly collapse. Evergrande was reported to have missed interest payments to offshore bondholders, although the Chinese authorities moved to calm markets.

Japanese equities continued to perform well in September, with incoming prime minster Fumio Kishida expected to ramp up economic stimulus. Latin America was the weakest region, hampered by its exposure to the resources sectors.

Energy was the strongest sector over the month, gaining more than a tenth in value. This came as a tighter supply-demand balance drove up the price of crude oil. The only other sector to deliver a positive return was financials; rising bond yields tend to improve the outlook for banks' profits. The weakest sector was materials as concerns about the financial health of Chinese property developers added to downward pressure on the price of iron ore.

Our investments in Royal Dutch Shell, Exxon Mobil and BP were among our best performers in September. The current energy shortage in many parts of the world shows that oil and gas still have a vital role to play while the world transitions to greener alternatives. Our investments in the energy sector have been implementing long-term strategies to ensure the sustainability of their businesses. Their strong cash generation helps finance this change and we believe that the positive and pragmatic case for investing in such energy majors is overlooked by many.

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Performance

Total return on £100 to 30 September 2021	6 months	1 year	3 years	5 years	10 years
Share price [1]	101.5	108.8	95.5	125.8	226.3
NAV per share [2]	104.4	111.0	98.5	122.7	231.1
MSCI All Countries World Index	108.7	122.2	138.0	179.0	355.8

Summary balance sheet

Summary balance sheet	30/09/2021	31/08/2021	Total return
Market capitalisation	£490m	£508m	
Total assets	£671m	£675m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£587m	£591m	
NAV [2] per share	849.7p	851.2p	0.5%
NAV [3] per share	886.7p	892.4p	0.0%
Share price	740.0p	768.0p	-2.9%

[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	3.1%
Number of listed holdings	51
Gearing/(net cash) [2]	8%
Discount to NAV [2]	12.9%

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

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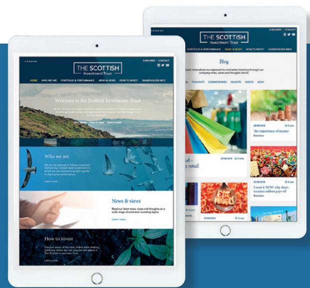


Our Objective

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 September 2021)

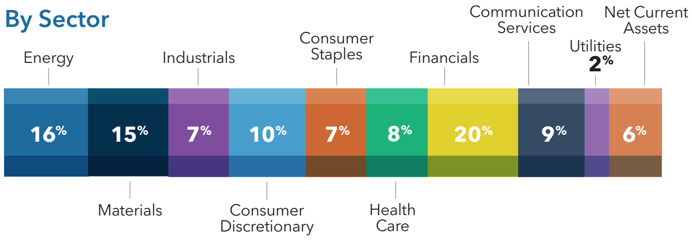
Holding	Sector	Country	£m	%[4]
Newmont	Materials	US	29.1	4.3
Newcrest Mining	Materials	Australia	26.4	3.9
Barrick Gold	Materials	Canada	25.6	3.8
Wells Fargo	Financials	US	24.6	3.7
BT	Communication Services	UK	23.9	3.6
Exxon Mobil	Energy	US	20.8	3.1
Royal Dutch Shell	Energy	UK	20.2	3.0
East Japan Railway	Industrials	Japan	19.7	2.9
Banco Santander	Financials	Spain	19.3	2.9
TotalEnergies	Energy	France	18.2	2.7
Aggregate of top 10 holdings			**227.8**	**33.9**

Link to a full list of holdings

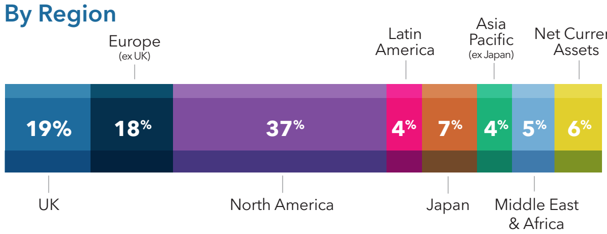
[4] Percentage of total assets

Distribution of total assets (30 September 2021)

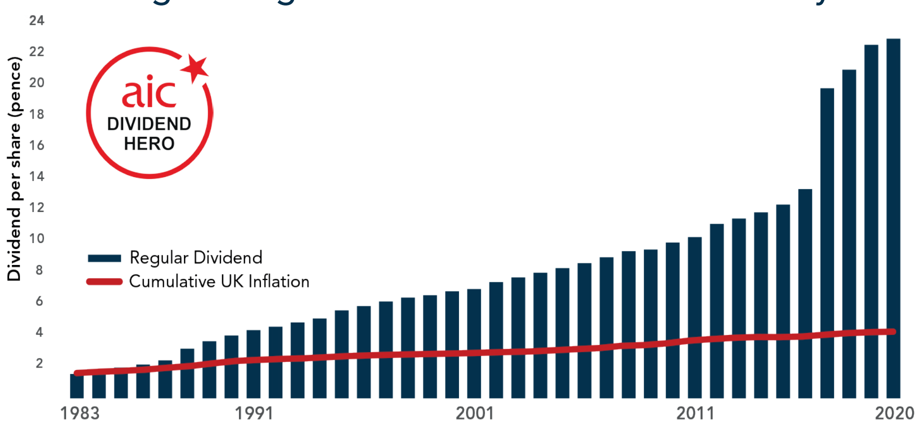
By Sector



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