



ALASDAIR MCKINNON

A robust third quarter earnings season helped global equity markets to deliver strong returns in October. Reassuring corporate updates offset worries about energy shortages, China's indebted property sector and some disappointing economic data.

“strong returns in October”

In the US, unemployment data released during the month fell well short of expectations. This was the second successive month in which labour data was surprisingly weak – raising questions about the state of the economy and increasing the likelihood that central bank policy will remain loose.

In the UK, Andrew Baillie, the governor of the Bank of England, raised expectations of a looming interest rate hike, noting that the Bank would “have to act” to curb inflation. Meanwhile, the Bank's chief economist, Huw Pill, warned that inflation could exceed 5% in the coming months. Some, however, continue to believe that inflation is being driven by temporary factors.

As the third quarter earnings season reached its climax, supply chain bottlenecks and labour shortages remained a key theme. Demand and supply appear to be recovering at different speeds, and this may have consequences for the pace of the economic recovery. In aggregate, however, corporate earnings came in ahead of consensus estimates.

In China, concerns persisted over the health of the property sector, which accounts for more than a quarter of the country's GDP. Although troubled property developer Evergrande managed to avoid a formal default, this did little to improve sentiment towards the sector.

North America was the strongest region over the month, boosted by the progress made towards securing an infrastructure stimulus

bill in the US. The weakest returns

came from Latin America, where the Brazilian real weakened as politicians appeared to back away from commitments to fiscal discipline. Japanese equities also declined amid concerns over policies that might be introduced by Fumio Kishida, the new prime minister, who secured an election win at the end of the month.

October's best performing sector was consumer discretionary, boosted by Tesla, which achieved a valuation of over \$1 trillion during the month, with the share price being boosted by reports of an order from Hertz. Information technology also performed well. Energy was strong, too, as crude prices climbed after Opec opted to remain disciplined on production increases despite concerns over rising energy prices.

Communication services was the only sector not to make gains in October. This underperformance came as social and digital media stocks suffered from updates to privacy settings on Apple devices. On top of this, Facebook suffered a major outage and accusations about its governance.

Some of our best returns in October came from investments in gold miners, with AngloGold Ashanti, Gold Fields and Newcrest all registering solid gains. Given the rapid pace of inflation over the past year, gold has not performed as well as might be expected. There is now, however, a growing acceptance that inflation will prove less transitory than many had originally believed. We own gold miners for their operational improvements, strong balance sheets and rising dividends, as well as for gold's traditional role as a shelter from the devaluing effects of inflation.

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Performance

Total return on £100 to 31 October 2021	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	106.8	124.3	110.5	126.9	241.8
NAV per share ⁽²⁾	101.4	116.0	104.2	116.9	221.0
MSCI All Countries World Index	108.1	129.5	151.1	177.0	344.2

Summary balance sheet	31/10/2021	30/09/2021	Total return
Market capitalisation	£543m	£490m	
Total assets	£672m	£671m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£587m	£587m	
NAV ⁽²⁾ per share	852.1p	849.7p	0.3%
NAV ⁽³⁾ per share	887.4p	886.7p	0.1%
Share price	820.0p	740.0p	10.8%

⁽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	2.8%
Number of listed holdings	51
Gearing/(net cash) ⁽²⁾	6%
Discount to NAV ⁽²⁾	3.8%

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

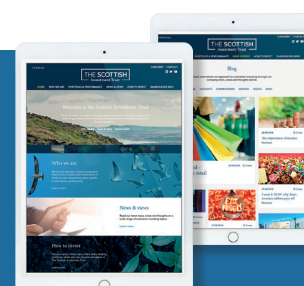
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@ScotInvTrust

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 October 2021)

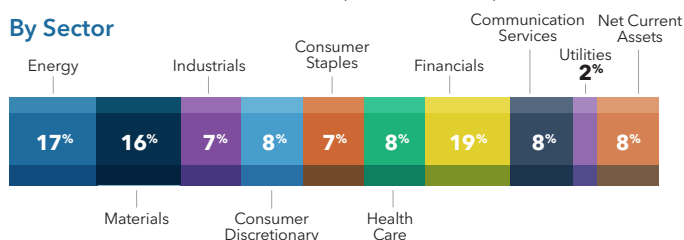
Holding	Sector	Country	£m	% ⁽⁴⁾
Newcrest Mining	Materials	Australia	29.8	4.4
Newmont	Materials	US	28.4	4.2
Barrick Gold	Materials	Canada	25.6	3.8
Wells Fargo	Financials	US	24.6	3.7
Exxon Mobil	Energy	US	22.4	3.3
BT	Communication Services	UK	20.8	3.1
Royal Dutch Shell	Energy	UK	20.7	3.1
Halliburton	Energy	US	20.6	3.1
Banco Santander	Financials	Spain	19.8	3.0
TotalEnergies	Energy	France	18.7	2.8
Aggregate of top 10 holdings			231.4	34.5

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

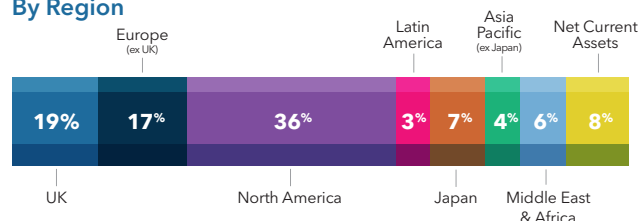
⁽⁴⁾ Percentage of total assets

Distribution of total assets (31 October 2021)

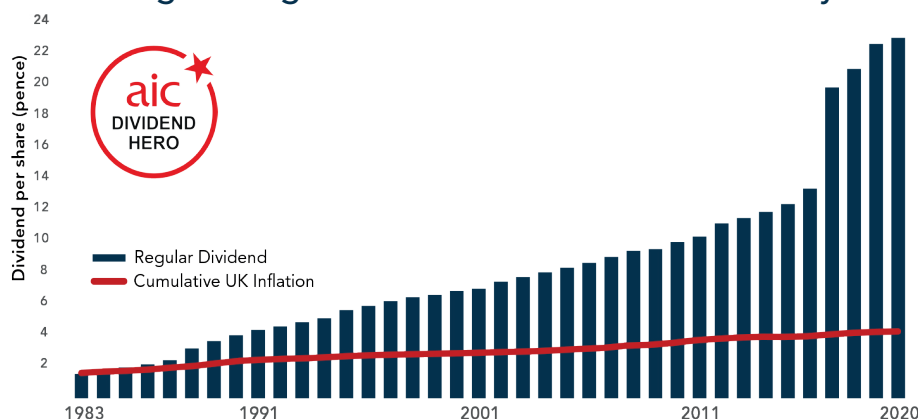
By Sector



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.

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