

To: RNS

From: The Scottish Investment Trust PLC

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The Scottish Investment Trust PLC

Publication of Circular

Further to the announcement of 29 March 2022 by the Board of The Scottish Investment Trust PLC ("**SIT**" or the "**Company**") with regard to the proposed combination of the assets of the Company with JPMorgan Global Growth & Income plc ("**JGGI**") by means of a scheme of reconstruction (the "**Scheme**") and voluntary winding up of the Company pursuant to section 110 of the Insolvency Act 1986 (the "**Proposals**"), the Board is pleased to announced that the Company has today published a circular to the Company's shareholders ("**Shareholders**") in connection with the Proposals (the "**Circular**").

If the Scheme becomes effective, Shareholders will, subject to the terms and conditions set out in the Circular, roll over their holdings of SIT Shares into New JGGI Shares.

Defined terms used in this announcement have the meanings ascribed to them in the Circular unless the context otherwise requires.

Background to the Proposals

On 20 October 2021 the Company announced that it had agreed heads of terms with JGGI and JGGI's manager, JPMorgan Funds Limited ("**JPMF**") in respect of the Proposals.

Given the additional complexities inherent in a self-managed investment vehicle such as the Company, the Board, JGGI and JPMF agreed that the process should be effected in two stages, with the Company initially appointing JPMF to manage its portfolio and adopting a new investment strategy substantially identical to that of JGGI. Once the Company had taken all steps necessary to allow it to be placed into liquidation in an orderly fashion, the Transaction would then take place.

Implementation of the first stage of the process was approved by Shareholders at a general meeting held on 9 December 2021. Accordingly, on 21 January 2022 the Board announced the appointment of JPMF, with effect from that date, as the Company's alternative investment fund manager, company secretary and administrator and confirmed the change in investment strategy. Since then, the Company's investment portfolio has been managed in accordance with the new investment strategy.

The Board believes that it is appropriate to move forward with the second stage of the process now, as all key workstreams have been fully and satisfactorily addressed. The Company announced on 29 March 2022 that it had completed the buy-in of the benefits under its pension scheme with a third-party insurer. It also announced in its Half-Year Report published on 18 June 2022 that its property at 6 Albyn Place, Edinburgh had been sold. Furthermore, on 29 July 2022, the holders of the Company's 5.75 per cent. Secured Bonds due 2030 (the "**SIT Bonds**") passed an extraordinary resolution approving, *inter alia*, the proposed substitution of JGGI in place of the Company in its capacity as issuer and sole debtor of the SIT Bonds (the "**Substitution**") as part of the Scheme.

In order to complete the second stage of the process, Shareholder approval for the Scheme is required at the First General Meeting; and if such approval is forthcoming, Shareholder approval is then required at the Second General Meeting in order to take the formal steps of winding up the Company voluntarily, appointing the Liquidators to implement the Scheme and applying for the cancellation of the listing of the Shares on the Official List pursuant to the Listing Rules. In accordance with the Scheme, Shareholders will be allotted New JGGI Shares at the same point at which the Company enters liquidation.

Benefits of the Proposals

In the circular sent to Shareholders seeking approval for the first phase of the process, the Board outlined the benefits of the Proposals. These remain unchanged in nature but have been updated in the Circular to highlight that although much has changed since that earlier document was posted to Shareholders, the rationale for the Proposals remains the same. The Board notes a number of attractions to a combination with JGGI:

- **Strong historic investment performance:** Over the five years ended 20 January 2022 (the date on which the Company's previous investment strategy came to an end), the NAV total return of JGGI was 12.12 per cent. per annum, representing outperformance of 1.38 per cent. per annum against the MSCI All Countries World Index (in Sterling terms) (total returns with net dividends reinvested) (the "**Benchmark**"). Over this same time period the NAV total return of SIT was 4.13 per cent. per annum, representing underperformance of 6.62 per cent. per annum against the Benchmark. Since 21 January 2022, JGGI has continued to demonstrate steady performance, despite market volatility and currency fluctuations. Market appreciation of this steady performance can be seen in JGGI's persistent trading at a premium to net asset value and its ongoing tap issuance throughout this year.

- **Style-agnostic:** The JGGI investment strategy is agnostic as between value and growth, focusing purely on the best total return opportunities. This affords the investment manager the flexibility to tilt the portfolio further towards, or further away from, value stocks or growth stocks as it sees fit, in a manner which was less likely under the Company's previous investment strategy.
- **Deeply resourced capability:** JPMorgan Chase & Co (Asset and Wealth Management) is one of the leading global asset managers with assets under management of USD 2.7 trillion as at 30 June 2022, and the JGGI investment management team is supported by over 80 in-house research analysts located globally. The Board believes this highlights the increasing difficulties faced by a self-managed company with limited resources to have the required depth of research to pursue a global equity mandate, and therefore the benefits of the combination with JGGI.
- **Attractive dividend:** JGGI has a distribution policy which targets aggregate dividends in each financial year representing at least 4 per cent. of JGGI's net asset value at the end of the preceding financial year. The declared dividends totalling 16.96 pence per JGGI Share in respect of the financial year commencing 1 July 2021 represented an annual dividend equivalent to 4.22 per cent. of JGGI's unaudited net asset value (cum income with debt at fair value) as at 30 June 2022. By way of comparison, the dividends totalling 24.4 pence per Share declared by SIT in respect of its last financial year (ended 31 October 2021) represented an annual dividend equivalent to 2.87 per cent. of SIT's net asset value (cum income with debt at fair value) as at 31 October 2021.

JGGI has announced that in relation to the year commencing 1 July 2022, it intends to pay dividends totalling 17.0 pence per JGGI Share (being 4.25 pence per share per quarter), which represents an annual dividend equivalent to 4.23 per cent. of the unaudited net asset value (cum income with debt at fair value) as at 30 June 2022.

- **Substantial uplift for shareholdings in the Company:** The Company's Shareholders have already benefitted from a re-rating of their investment in the Company since announcement of the Proposals on 20 October 2021. This is expected to be enhanced further on completion of the Proposals.

The Company's Shares traded at an average discount to NAV (cum income, debt at fair value) of 10.4 per cent. in the three months preceding the announcement of the Company's strategic review on 2 June 2021. In contrast, JGGI traded at an average premium to NAV (cum income, debt at fair value) of 2.5 per cent. over the same time period. Since announcement of the Company's proposal to appoint JPMF as the Company's AIFM and undertake the Proposals, the Company's discount has narrowed from 15.4 per cent. (as at 19 October 2021) to 5.5 per cent. (as at 2 August 2022). For information, the Company's policy of buying back shares for the purposes of discount management was temporarily suspended in the weeks preceding the announcement of 20 October 2021 and the Company has not repurchased any SIT

Shares since August 2021. As at close of business on 2 August 2022, being the latest practicable date prior to publication of the Circular, JGGI's shares were trading at a 5.2 per cent. premium to NAV (cum income, debt at fair value), having traded at an average premium to NAV of 1.9 per cent. since the announcement of the Proposals on 20 October 2021.

- **Scale:** The combined company will have net assets in excess of £1.3 billion (based on valuations as at 2 August 2022), creating a leading investment vehicle for global equity investing that delivers an attractive dividend yield. The scale of the combined company should improve secondary market liquidity for the Company's Shareholders and will achieve cost efficiencies.

JGGI is a constituent of the FTSE 250 index, which brings with it potential additional benefits as to profile and liquidity.

- **Low ongoing charges:** With effect from 1 January 2022, a new scaled annual management charge ("AMC") has applied to JGGI. By way of illustration, based on valuations as at 3 August 2022, this new AMC would result in an initial weighted average AMC of 0.48 per cent. of net assets and forecast ongoing charges (which includes the AMC) of 0.55 per cent. in the 12 months following implementation of the Proposals. For the avoidance of doubt, during the period of JPMF's appointment as the Company's AIFM up until implementation of the Proposals, JPMF is entitled to receive a management fee payable by the Company monthly at a rate equivalent to 0.55 per cent. per annum on net assets.
- **Leading investment trust platform:** JPMorgan is one of the leading managers of closed-ended vehicles in the UK, managing 21 investment companies (including the Company) with gross assets in excess of £13.2 billion (as at 31 July 2022). JGGI benefits from JPMorgan's extensive investment company management and marketing resources.
- **Contribution from J.P. Morgan Asset Management:** JPMorgan has agreed to make a costs contribution in respect of the Proposals equivalent to the management fees payable by the enlarged JGGI in respect of the eight-month period immediately following completion of the Proposals.
- **Continuity:** Upon the Scheme becoming effective, James Will, Jane Lewis, Mick Brewis and Neil Rogan, directors of the Company, will join the board of JGGI as non-executive directors, which is intended to provide continuity of oversight for Shareholders rolling over into JGGI. It is intended that James Will will join the JGGI Board for only a short time (retiring at the next AGM of JGGI, expected to be held in November 2022) in order to provide assistance in the period immediately following the combination. In addition, it is intended that the annual general meetings of JGGI as enlarged will, following completion of the Transaction, be held in Edinburgh and London on alternate years.

Summary information on JGGI

JGGI's objective is to achieve superior total returns from world stock markets. In order to achieve this objective, JGGI seeks to select companies with the most compelling long-term strategies. JGGI is driven by a Bottom-up Stock Selection process, with a best ideas portfolio allocating a larger weighting to the most preferred stocks when compared to their weighting in the relevant index. This approach makes use of the full resources of JPMorgan (including over 80 expert analysts worldwide) and JGGI's investment trust structure, offering useful diversification for investors seeking attractive levels of income.

JGGI's investment manager deploys the company's investment strategy in a style-neutral way and has built this strategy on an approach where the investment manager seeks to add incremental value to the portfolio by capitalising on mis-valuations in equity markets via a risk-controlled bias towards attractively ranked securities within regional sectors while minimising sector, region, and style risk.

Given this approach, JGGI's portfolio broadly remains similar in sector and style to the Benchmark, while incrementally over/under weighting at the stock specific level within regional sectors in order to outperform the Benchmark at the Bottom-up Stock Selection level. This is evidenced by JGGI's long-term attribution, where the vast majority of outperformance being produced is due to stock selection within sectors and regions.

As at 29 July 2022, this process had delivered a NAV total return (net of fees) of 2.23 per cent. per annum over the MSCI All Country World Index since inception on 30 September 2008.

JGGI's alternative investment fund manager for the purposes of the AIFM Directive is JPMF, which has delegated the day-to-day management of the portfolio to JPMorgan Asset Management (UK) Limited ("**JPMAM**"). In particular, JGGI's investment management team is led by Helge Skibeli, Rajesh Tanna and Tim Woodhouse.

Further details on JGGI, including details of its performance track record, are set out in Part 2 of the Circular and in the accompanying JGGI prospectus dated 5 August 2022 (the "**JGGI Prospectus**").

Dividends

As announced today, a pre-liquidation interim dividend of 9.4 pence per Share will, subject to the resolution to be proposed at the First General Meeting being passed, be paid to Shareholders prior to the Effective Date.

Shareholders receiving New JGGI Shares under the Scheme will rank fully for all dividends declared by JGGI with a record date falling after the date of the issue of those New JGGI Shares to them. For the avoidance of doubt, assuming the Scheme becomes effective on or before 1 September 2022, SIT Shareholders rolling over into JGGI will be entitled to receive JGGI's first interim dividend for the year ending 30 June 2023, which will be paid on 7 October 2022 to shareholders on the JGGI register as at the close of business on 2 September 2022.

As set out in more detail in the Circular, JGGI has the ability to pay dividends from capital and does currently pay its dividends, in part, out of its realised capital profits. Whilst the JGGI policy differs from the approach adopted by the Company historically (which has focused on payment of dividends from earnings, as supplemented by revenue reserves), the Board believes the ability to pay dividends out of capital can offer tangible benefits to Shareholders, including allowing the investment manager to retain full flexibility and control over stock picking without sacrificing high conviction opportunities in the pursuit of yield and offering the ability to smooth dividend payments through low yield environments.

Costs of implementing the Scheme

The Company and JGGI have agreed, under the terms of the Scheme, an equitable apportionment of the costs incurred in implementing the Proposals having regard for, *inter alia*, the estimated respective expenses of the two companies and the relative benefits which the Proposals will provide to each set of shareholders.

In summary:

- (a) The direct costs incurred by the two companies will (subject to the limits set out in (ii) below) be aggregated with the SIT Pension Costs and the Portfolio Realignment Costs. The JPMAM Contribution (as defined below) will then be deducted from the aggregate amount to determine the net costs of the Scheme (the “**Net Scheme Costs for Apportionment**”). The Net Scheme Costs for Apportionment will be borne by each of the Company and JGGI *pro rata* by reference to their respective FAVs (subject to the JGGI Cost Limit of £2.1 million, with any Net Scheme Costs for Apportionment in excess thereof otherwise payable by JGGI instead borne by the Company).
- (b) To the extent that:
 - (i) the Company’s direct costs exceed £2.7 million, such excess costs will be borne solely by the Company and will be reflected accordingly in the calculation of its FAV; and
 - (ii) JGGI’s direct costs exceed £1.2 million, such excess costs will be borne solely by JGGI and will be reflected accordingly in the calculation of its FAV.

JPMAM has agreed to make a contribution (the “**JPMAM Contribution**”) to the costs of the Proposals by means of a waiver of its management fee following completion of the Scheme. This will be for an amount equivalent to eight months of JGGI's prevailing management fee calculated on the value of the net assets of the enlarged JGGI (as determined by reference to the FAVs of each company). The financial value of this amount is estimated at approximately £4.24 million based on the companies' estimated FAVs as at 29 July 2022. The JPMAM Contribution will be deducted from the aggregate costs prior to the *pro rata* apportionment as described above.

In the event that the Proposals are not implemented, each party will bear its own costs.

SIT debt instruments

The Company currently has both secured bonds and debenture stock in issue.

SIT Bonds

The SIT Bonds are secured by a floating charge over the assets of the Company and have a redemption value in 2030 of £82,827,000. As set out above, the holders of the SIT Bonds approved the Substitution on 29 July 2022. The Substitution will therefore take effect, subject, *inter alia*, to the approval of the Proposals by Shareholders, on the Effective Date. For the avoidance of doubt, other than the instruction fee paid as part of the bondholder consent solicitation process, there will be no repayment or premium payable to bondholders as a result of the Substitution.

SIT Debenture Stock

The 5 per cent., 4.25 per cent. and 4 per cent. debenture stock have an aggregate nominal value of approximately £2,059,000 (as at 3 August 2022) and these will be redeemed in full at their nominal value following implementation of the Proposals (if approved).

General Meetings

The Proposals are conditional, *inter alia*, upon Shareholders' approval of the resolutions to be proposed at the First General Meeting and the Second General Meeting. Both General Meetings will be held at The Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ.

First General Meeting

The First General Meeting will be held on 22 August 2022 at 11.00 a.m.

The resolution to be considered at the First General Meeting (which will be proposed as a special resolution) will, if passed, approve the terms of the Scheme, amend the Articles to give effect to the Scheme and authorise the Liquidators to implement the Scheme should the resolution to be proposed at the Second General Meeting be passed. To be passed, the resolution put forward at the First General Meeting will require at least 75 per cent. of the votes cast in respect of it, whether in person or by proxy, to be voted in favour at the First General Meeting. The Scheme will not become effective unless and until, *inter alia*, the resolution to be proposed at the Second General Meeting has also been passed.

Second General Meeting

The Second General Meeting will be held on 31 August 2022 at 9.30 a.m.

At the Second General Meeting, a special resolution will be proposed which, if passed, will place the Company into liquidation, appoint the Liquidators and agree the basis of their remuneration, instruct the Company Secretary to hold the books to the Liquidators' order, and

provide the Liquidators with appropriate powers to carry into effect the amendments to the Articles made at the First General Meeting. To be passed, the resolution to be put forward at the Second General Meeting will require at least 75 per cent. of the votes cast in respect of it, whether in person or by proxy, to be voted in favour at the Second General Meeting.

Excluded Overseas Shareholders

Subject to certain exceptions set out in the Circular, no action has been taken or will be taken in any jurisdiction other than the UK where action is required to be taken to permit the distribution of the Circular and/or the JGGI Prospectus. Accordingly, such documents may not be used for the purpose of, and do not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Excluded Overseas Shareholders will not receive a copy of the JGGI Prospectus unless they have satisfied the Directors and the JGGI Directors that they are entitled to receive and hold New JGGI Shares without breaching any relevant securities laws and without the need for compliance on the part of the Company or JGGI with any overseas laws, regulations, filing requirements or the equivalent. Excluded Overseas Shareholders who wish to participate in the Scheme should contact the Company directly, by no later than 5.00 p.m. on 25 August 2022, if they are able to demonstrate, to the satisfaction of the Directors and the JGGI Directors, that they can be issued New JGGI Shares without breaching any such relevant securities laws.

In the absence of the Directors and the JGGI Directors being so satisfied, to the extent that an Excluded Overseas Shareholder is due to receive New JGGI Shares under the Scheme, such New JGGI Shares will instead be sold by the Liquidators in the market and the net proceeds of such sale (after deduction of any costs incurred in effecting such sale) will be paid to the relevant Excluded Overseas Shareholder.

Expected Timetable

	2022
Ex-dividend date for the pre-liquidation interim dividend to Shareholders	18 August
Latest time and date for receipt of Forms of Proxy in respect of the First General Meeting	11.00 a.m. on 18 August
Record date for the pre-liquidation interim dividend to Shareholders	19 August
First General Meeting	11.00 a.m. on 22 August
Shares disabled in CREST	6.00 p.m. on 22 August
Record Date for entitlements under the Scheme	6.00 p.m. on 22 August

Calculation Date	5.00 p.m. on 25 August
Payment date for the pre-liquidation interim dividend	30 August
Latest time and date for receipt of Forms of Proxy in respect of the Second General Meeting	9.30 a.m. on 26 August
Suspension of listing of Shares and Company's Register closes	7.30 a.m. on 31 August
Second General Meeting	9.30 a.m. on 31 August
Effective Date for implementation of the Scheme	31 August
Announcement of the results of the SIT FAV per Share and the JGGI FAV per Share	31 August
CREST accounts credited with, and dealings commence in, New JGGI Shares	8.00 a.m. on 1 September
Share certificates in respect of New JGGI Shares despatched	9 September (or as soon as practicable thereafter)
Cancellation of listing of Shares	as soon as practicable after the Effective Date

Note: All references to time in this announcement are to UK time. Each of the times and dates in the above expected timetable (other than in relation to the General Meetings) may be extended or brought forward. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.

General

This announcement does not contain all the information which is contained in the Circular and Shareholders should read the Circular in conjunction with the JGGI Prospectus and the JGGI KID before deciding what action to take in respect of the Proposals.

Defined terms used in this announcement have the meanings given in the Circular unless the context otherwise requires.

A copy of the Circular has been submitted to the Financial Conduct Authority and will be available for inspection at the National Storage Mechanism which is located at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism> and on the Company's website at www.thescottish.co.uk.

Enquiries

The Scottish Investment Trust PLC

James Will (Chairman) (*via* Investec Bank plc)

T: +44 (0)20 7597 4000

JPMorgan Funds Limited

Simon Crinage

T: +44 (0)20 7742 4000

Fin Bodman

Investec Bank plc (Corporate Broker)

Tom Skinner (Corporate Broking)

T: +44 (0)20 7597 4000

David Yovichic (Corporate Finance)