THE SCOTTISH Investment Trust

Monthly Factsheet
August 2018

ALASDAIR MCKINNON

Despite economic turmoil in Turkey and an escalation in Sino-US trade tensions, global equities pushed higher in August. North American markets were the month's strongest performers. By some measures, the US's key S&P500 index recorded its longest ever bull run – approaching 10 years, during which it increased four-fold from the depths of the financial crisis. Strong returns also came from Japan, where economic growth figures exceeded expectations. Given the global uncertainties, both North America and Japan were also helped by their perceived safe haven status.

In contrast, emerging markets were generally weak. The US ramped up tariffs on Turkish steel and aluminium as relations soured over the detention of an American pastor. As the lira plunged, concerns mounted that the turmoil could spill over to other emerging markets.

Latin American stocks fell particularly heavily as many of the region's currencies weakened against the US dollar. Compounding this was the uncertainty over who will win Brazil's presidential race, with a clear frontrunner yet to emerge. Asian equities also lagged on concerns about the Chinese economy alongside disappointing results from Chinese technology giant Tencent. Meanwhile, the UK's chaotic Brexit preparations depressed its stockmarket's returns.

The strongest sector was Information Technology as Apple became the first company to be valued at US$1 trillion. Amid an otherwise defensive tone, the Healthcare sector performed well. Weakness was mostly confined to the commodity sectors, with both Energy and Materials affected by ongoing trade tensions. The only other sector to record negative returns was Financials as investors fretted about the potential impact of the Turkish crisis, particularly on European banks.

The oil price was firm in anticipation of further sanctions on Iran. Meanwhile, gold declined as the US dollar, in which the metal is typically denominated, remained strong. The US Federal Reserve left rates unchanged but gave a more upbeat assessment of the US economy. This bolstered expectations of a September rate hike and prompted President Trump to tweet his displeasure at the prospect. At the Jackson Hole central bankers' symposium, however, Jerome Powell, the Fed chair, appeared to take a more dovish stance. In the UK, the Bank of England raised rates by 25 basis points but struck a cautious tone on the outlook for further increases.

Although oil stocks were weaker last month, the Healthcare sector's performance was strong, with Pfizer being amongst the beneficiaries. Pfizer is a global health giant whose operations span everything from innovative pharmaceuticals to well-known consumer products such as Advil and Chapstick. The company's growth prospects are obscured by a mundane near-term outlook, making this one of the most lowly valued among its peer group of Healthcare majors. But a promising pipeline of new drugs offers potential for accelerating growth. In the meantime, cost efficiencies support Pfizer's earnings growth while a revival of efforts to break up the group to unlock value remains a possibility. Short-sighted investors may focus on its lower near-term growth. But the company's potential to deliver successful new products, along with an attractive dividend yield may provide scope for positive surprises. Most investors are overlooking this – making Pfizer a good example of the stocks in our 'change is afoot' category.

> "Healthcare sector performed well"

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Performance

Total return on £100 to 31 August 2018	6 months	1 year	3 years	5 years	10 years
Share price [1]	106.6	108.6	158.9	176.4	239.2
NAV per share [2]	108.6	108.3	156.5	169.9	230.6
MSCI All Countries World Index	108.3	110.4	165.6	188.8	268.6
MSCI UK All Cap Index	105.9	104.9	133.9	143.0	203.2

Summary balance sheet

	31/08/2018	31/07/2018	Total return
Market capitalisation	£676m	£688m	
Total assets	£850m	£869m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£765m	£784m	
NAV [2] per share	957.1p	981.0p	-2.4%
NAV [3] per share	984.9p	1,007.8p	-2.3%
Share price	870.0p	885.0p	-1.7%

[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)	0.49%
Dividend yield	2.3%
Number of listed holdings	51
Gearing (Net cash) [2]	(1%)
Discount to NAV [2]	9.1%

The Company's discount policy aims, in normal market conditions, to maintain the discount to NAV at or below 9%.

Link to our Annual and Interim Reports

Contact US

...to get in touch and find out more

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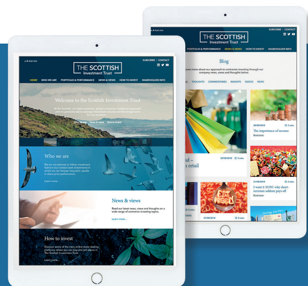


Our Objective

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 (31 August 2018)

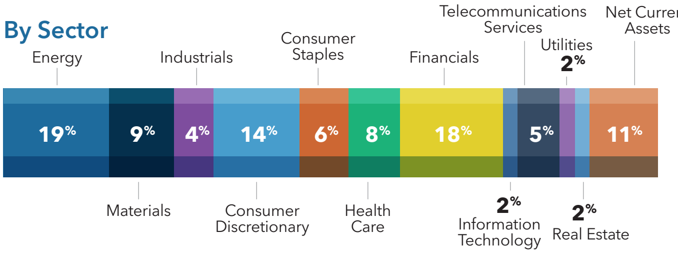
Holding	Sector	Country	£m	%(4)
Tesco	Consumer Staples	UK	37.2	4.4
GlaxoSmithKline	Health Care	UK	30.0	3.5
Suncor Energy	Energy	Canada	29.1	3.4
Target	Consumer Discretionary	US	27.5	3.2
Gap	Consumer Discretionary	US	27.4	3.2
Macy's	Consumer Discretionary	US	26.4	3.1
Pfizer	Health Care	US	25.9	3.0
Royal Dutch Shell	Energy	UK	25.7	3.0
Newcrest Mining	Materials	Australia	24.4	2.9
Standard Chartered	Financials	UK	23.2	2.7
Aggregate of top 10 holdings			**276.8**	**32.4**

Link to a full list of holdings

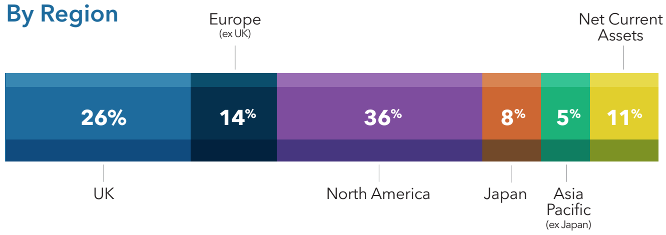
(4) Percentage of total assets

Distribution of total assets (31 August 2018)

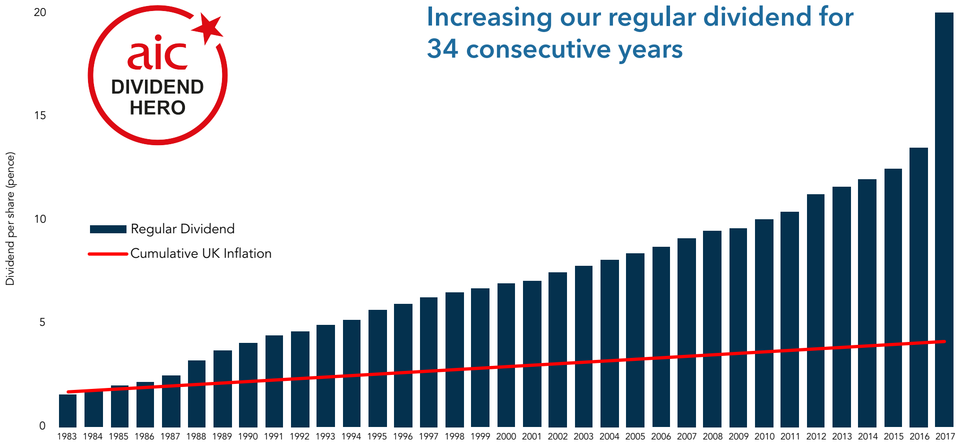
By Sector



By Region



Increasing our regular dividend for 34 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.

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