



ALASDAIR MCKINNON

Global equities were flat overall in September, with investor sentiment still dominated by the uncertainty in international politics. As so often recently, much of that lack of clarity stemmed from the escalating trade tensions between the US and China. After imposing another \$200 billion of tariffs on Chinese goods, President Trump suggested that a further \$267 billion could follow – essentially covering all US imports from China. Hopes for a resolution rose when Steven Mnuchin proposed a new round of trade talks with Beijing, but were dashed when China declined an invitation to attend negotiations in Washington. Across the Atlantic, meanwhile, Theresa May's blueprint for Brexit was rejected by EU leaders at a summit in Salzburg, leaving negotiations at an impasse.

The strongest region was Latin America, which bounced back from recent weakness. However, the electoral outlook in Brazil remains uncertain ahead of October's election. Japan was also strong, despite suffering two natural disasters in one week, as Shinzo Abe won re-election as leader of the Liberal Democratic Party. This opens the door for him to become Japan's longest serving prime minister. The UK also recorded solid returns. The worst performing region was Asia Pacific (ex Japan), where declines were driven by weakness in China. European markets were slightly down, as investors were alarmed by the Italian government's decision to target a higher

“rising oil price”

price reached its highest level for four years, reflecting worry over the US sanctions on Iran and concerns that US shale output will slow.

than expected budget deficit, setting the country on a collision course with the EU.

Real estate stocks produced the weakest returns in September. Information technology also lagged as some of the most prominent internet companies faced questions from Congress over election interference and trade tensions weighed on the demand outlook for semiconductors. In contrast, the global uncertainties meant that telecommunications and healthcare stocks benefited from their perceived defensive qualities.

The strongest returns came from the energy sector as the oil price reached its highest level for four years, reflecting worry over the US sanctions on Iran and concerns that US shale output will slow. In our portfolio, Hess, the US-based oil exploration and production company, was a beneficiary of the rising oil price. The oil sector has been out of favour amid concern over the long-term sustainability of the industry, but we believe that these fears are overblown. We see great potential in Hess's 30% interest in an offshore Guyana project, one of the industry's biggest discoveries. With first oil unlikely to be produced until 2020, our patient approach means that we are content to wait for this project to bear fruit in the belief that we bought into the company at a time when its shares offered unacknowledged value.

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Performance

Total return on £100 to 30 September 2018	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	111.0	108.0	164.8	172.0	273.8
NAV per share ⁽²⁾	112.1	107.8	160.9	168.3	259.9
MSCI All Countries World Index	112.9	112.9	169.4	188.2	300.3
MSCI UK All Cap Index	108.3	105.7	138.7	141.9	235.9

Summary balance sheet

	30/09/2018	31/08/2018	Total return
Market capitalisation	£672m	£676m	
Total assets	£846m	£850m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£761m	£765m	
NAV ⁽²⁾ per share	955.1p	957.1p	-0.2%
NAV ⁽³⁾ per share	980.8p	984.9p	-0.4%
Share price	866.0p	870.0p	-0.5%

⁽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	52
Gearing (Net cash) ⁽²⁾	(2%)
Discount to NAV ⁽²⁾	9.3%

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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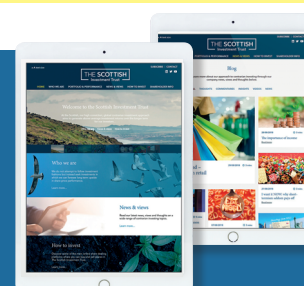
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The Scottish Investment Trust PLC



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 (30 September 2018)

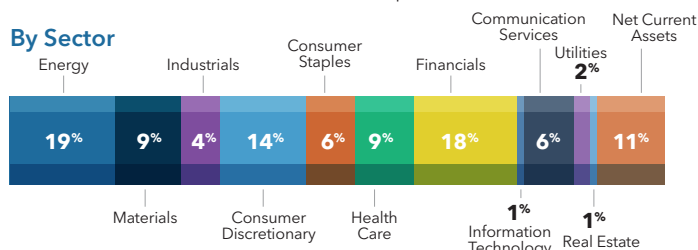
Holding	Sector	Country	£m	% ⁽⁴⁾
Tesco	Consumer Staples	UK	36.2	4.3
GlaxoSmithKline	Health Care	UK	29.6	3.5
Target	Consumer Discretionary	US	27.6	3.3
Pfizer	Health Care	US	27.4	3.2
Suncor Energy	Energy	Canada	27.3	3.2
Royal Dutch Shell	Energy	UK	27.2	3.2
Gap	Consumer Discretionary	US	26.0	3.1
Macy's	Consumer Discretionary	US	24.9	2.9
Newcrest Mining	Materials	Australia	24.3	2.9
Standard Chartered	Financials	UK	23.6	2.8
Aggregate of top 10 holdings			274.1	32.4

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

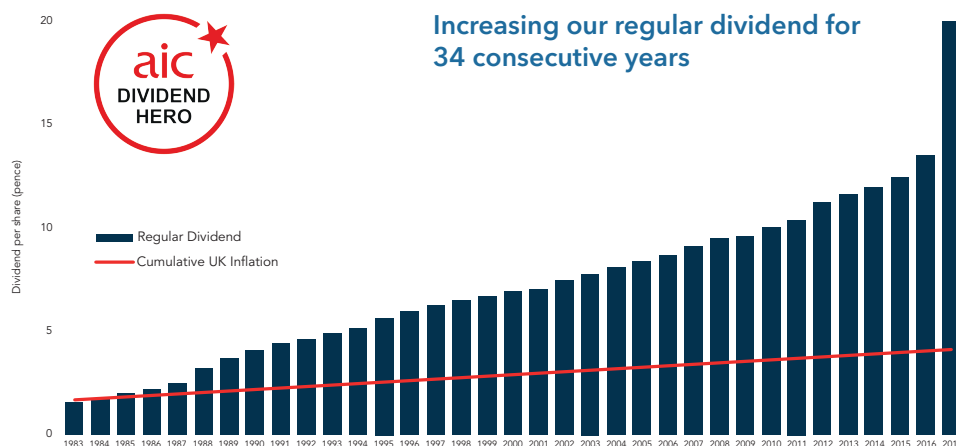
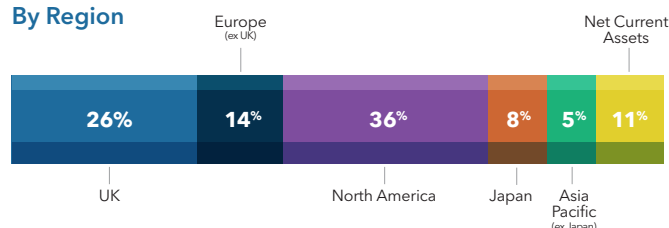
⁽⁴⁾ Percentage of total assets

Distribution of total assets (30 September 2018)

By Sector



By Region



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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Authorised and regulated by the Financial Conduct Authority.

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