THE SCOTTISH Investment Trust

Monthly Factsheet
November 2018

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In November, the world's equity markets recovered some of October's losses. The main causes for optimism were hints of a softer approach from the US Federal Reserve and hopes of an end to the US-China trade hostilities. In Europe, meanwhile, a Brexit deal appeared to move a step closer.

During the month, Jay Powell, the Federal Reserve's chairman, appeared to change tack on the pace of future interest rate rises, saying that rates were "just below" a neutral state. A further rise is still expected in December, however, and President Trump continued to criticise Powell: "So far, I'm not even a little bit happy with my selection of Jay". The president did, however, issue tweets suggesting that an end to the US-China trade war might be in sight, raising investors' spirits as the G20 summit got underway at the end of the month.

Although the European Union approved a Brexit deal, many UK politicians expressed their dissatisfaction with the proposal, making its chances of getting through the UK Parliament appear slim. This uncertainty weighed on sentiment, as did Mark Carney, the Governor of the Bank of England, by announcing a set of gloomy forecasts for various Brexit scenarios.

Asian markets produced November's strongest returns, partly reversing their weak year-to-date performance. This recovery came on optimism about a US-China trade deal and as China implemented policy measures to offset the trade war's impact. The improved trade sentiment also boosted North American markets, as did hopes of a slower pace of rate rises. The weakest returns came from Latin America, where the Mexican market declined on worries about the incoming president's policies. Both the UK and Europe were weak on Brexit related concerns and, in Europe's case, also uncertainty over Italy's budget.

> "improved trade sentiment"

One notable feature of November was a sharp fall in the price of oil, which lost more than a fifth of its value. This resulted from anxieties about oversupply, given robust output from US shale and Saudi Arabia. In consequence, the energy sector produced the weakest returns. The only other sector to decline was technology. Apple lost its $1 trillion crown after releasing a disappointing outlook and all of the FAANG stocks were down at least 20% from their previous peaks. In contrast, real estate stocks performed well on hopes of slower rate rises. Defensive sectors such as telecommunications and utilities performed well too, with healthcare the strongest sector overall.

One of our 'ugly ducklings', US based retailer Gap, produced third quarter results that, at face value, did nothing to inspire investors. In this instance, however, Gap's management presented investors with an outline plan to address their concerns about the company's underperforming brands. We expect to receive a more detailed recovery plan, involving store closures and other cost cutting measures, with the fourth quarter results in February. Hearteningly, the shares rose on this news as investors finally looked past the company's short-term challenges to acknowledge its longer term prospects. Gap exemplifies the sort of overlooked opportunity that we continue to seek out for our investors.

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Performance

Total return on £100 to 30 November 2018	6 months	1 year	3 years	5 years	10 years
Share price [1]	95.8	101.4	147.8	156.4	289.4
NAV per share [2]	96.3	100.7	143.8	152.7	285.6
MSCI All Countries World Index	101.5	105.1	151.0	173.1	331.0
MSCI UK All Cap Index	92.0	98.2	122.5	127.4	253.7

Summary balance sheet

	30/11/2018	31/10/2018	Total return
Market capitalisation	£627m	£637m	
Total assets	£794m	£800m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£709m	£715m	
NAV [2] per share	896.0	900.1	-0.5%
NAV [3] per share	920.3	926.8	-0.7%
Share price	814.0	825.0	-1.3%

[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	2.6%
Number of listed holdings	50
Gearing/(net cash) [2]	(0%)
Discount to NAV [2]	9.2%

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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@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 (30 November 2018)

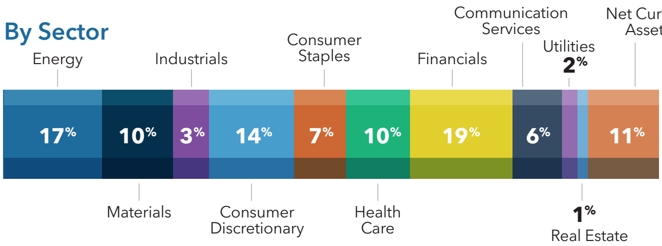
Holding	Sector	Country	£m	%(4)
GlaxoSmithKline	Health Care	UK	31.2	3.9
Tesco	Consumer Staples	UK	29.8	3.8
Pfizer	Health Care	US	29.4	3.7
Sumitomo Mitsui Financial	Financials	Japan	27.5	3.5
Newcrest Mining	Materials	Australia	26.4	3.3
Macy's	Consumer Discretionary	US	25.1	3.2
Gap	Consumer Discretionary	US	25.1	3.2
Royal Dutch Shell	Energy	UK	24.2	3.0
Suncor Energy	Energy	Canada	23.2	2.9
Target	Consumer Discretionary	US	22.7	2.9
Aggregate of top 10 holdings			**264.6**	**33.4**

Link to a full list of holdings

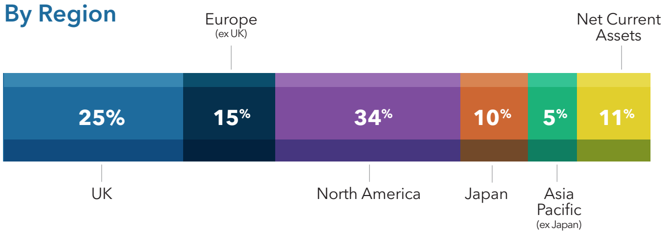
(4) Percentage of total assets

Distribution of total assets (30 November 2018)

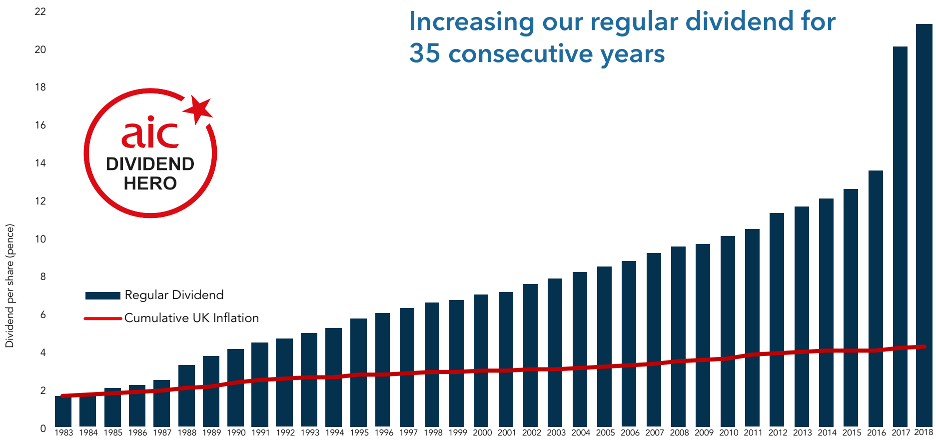
By Sector



By Region



Increasing our regular dividend for 35 consecutive years



QUARTERLY DIVIDEND PAYMENT

FIRST INTERIM	May
SECOND INTERIM	August
THIRD INTERIM	November
FINAL	February

IMPORTANT INFORMATION

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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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