



ALASDAIR MCKINNON

Despite the persistence of some familiar threats, global equity markets rose in February. Investors remain concerned about the Sino-US trade tensions, the uncertainties over Brexit, the direction of central bank policy and volatility in corporate earnings. The path of least resistance appeared to be upwards.

There were some regional discrepancies, however. European markets fell early in the month as macroeconomic data failed to match expectations and worries intensified over Brexit and Spain's political stability, but reassurance from the European Central Bank led to a mid-month recovery. In the UK, the government survived another round of Brexit votes by making material concessions to parliament. Disharmony over Brexit had a notable impact on sterling, which remained volatile. Both European and UK equities finished comfortably ahead by the month end.

“oil price continued to rise”

In the US, the government managed to avert another shutdown, and the minutes of the Federal Reserve's latest meeting stressed its 'patient' approach to interest rate rises. On the trade negotiations front, signals were mixed. China has offered to increase US agricultural imports while the US is continuing to ask for more structural economic reforms. The US has extended the deadline for imposing further tariffs, noting 'substantial progress' in discussions, and is reportedly keen to finalise a trade deal in March. Following his recent visit to China, our manager's latest thoughts are available on our website. President Trump renewed his threat to impose tariffs on European car imports if he is unable to

strike a deal with the EU. His meeting with North Korea's Kim Jong-un ended without agreement. The president also came under further domestic pressure after his former lawyer's testimony to Congress. Nevertheless, US shares performed well.

In contrast, Japanese shares weakened on poor export data. Other Asian markets also underperformed, though the weakest region overall was Latin America. Its markets were affected by Venezuelan troubles and a potential dilution to some of the reforms promised in Brazil, which has been one of the strongest markets over the last year.

Sector performance reflected a continued appetite for cyclical risk. Information technology, industrials, energy and financials were among the strongest sectors. Defensives lagged behind with telecoms and healthcare producing the weakest returns. Similarly, the oil price continued to rise while the gold price fell back a little.

In our portfolio, one beneficiary of the market's more cyclical focus was Royal Bank of Scotland. Once a symbol of banking failure, RBS now appears to be well on its way to rehabilitation. After retreating from international markets and investment banking, it is now focused on personal banking and commercial lending in the UK. The bank announced a higher than anticipated dividend payout in February, after resuming payments last year. This followed last year's return to profit and the settlement of one of the final major pieces of litigation against it, at a rate well below market expectations. RBS is one of our unloved 'ugly ducklings'.

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Performance

Total return on £100 to 28 February 2019	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	93.1	99.2	147.8	154.0	303.4
NAV per share ⁽²⁾	91.7	99.6	140.6	147.7	299.9
MSCI All Countries World Index	94.9	102.7	150.7	170.9	355.2
MSCI UK All Cap Index	96.1	101.7	130.5	126.0	288.0

Summary balance sheet

	28/02/2019	31/01/2019	Total return
Market capitalisation	£610m	£602m	
Total assets	£768m	£764m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£682m	£679m	
NAV ⁽²⁾ per share	862.5	857.9	0.5%
NAV ⁽³⁾ per share	889.3	884.8	0.5%
Share price	795.0	785.0	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	2.7%
Number of listed holdings	50
Gearing/(net cash) ⁽²⁾	(1%)
Discount to NAV ⁽²⁾	7.8%

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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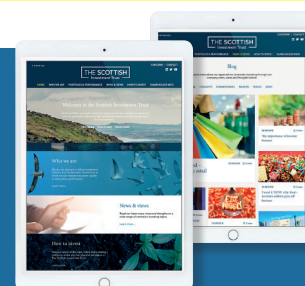
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The Scottish Investment Trust PLC



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 (28 February 2019)

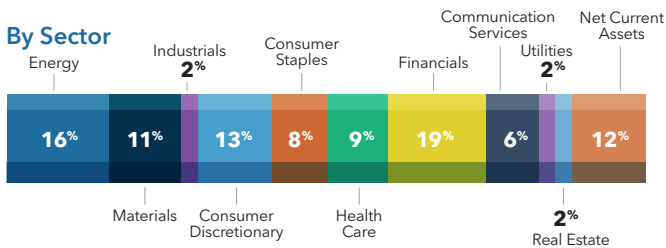
Holding	Sector	Country	£m	% ⁽⁴⁾
Tesco	Consumer Staples	UK	34.1	4.4
Newcrest Mining	Materials	Australia	29.3	3.8
GlaxoSmithKline	Health Care	UK	28.8	3.8
Pfizer	Health Care	US	26.4	3.4
Sumitomo Mitsui Financial	Financials	Japan	25.4	3.3
Royal Dutch Shell	Energy	UK	23.9	3.1
BHP	Materials	UK	23.8	3.1
Gap	Consumer Discretionary	US	22.4	2.9
Target	Consumer Discretionary	US	22.3	2.9
Standard Chartered	Financials	UK	22.3	2.9
Aggregate of top 10 holdings			258.7	33.6

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

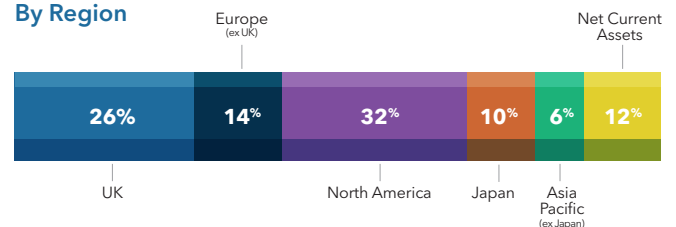
⁽⁴⁾ Percentage of total assets

Distribution of total assets (28 February 2019)

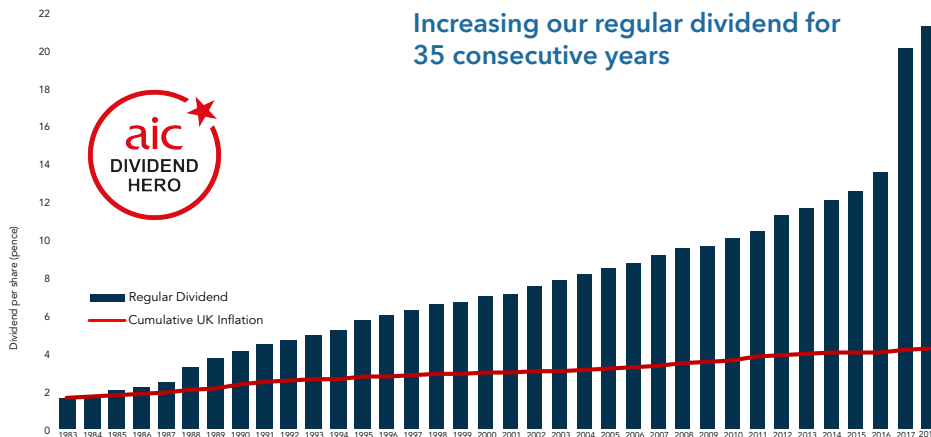
By Sector



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

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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