



ALASDAIR MCKINNON

Global equities advanced in March, with the weakness of the Brexit-battered pound enhancing returns for sterling-based investors. Currency effects aside, the main factors in the month's positive performance were the prospect of interest rates remaining 'lower for longer' and hopes of a trade deal between the US and China. These factors allowed markets to overcome concerns around the health of the global economy - concerns that were stoked by China lowering its full year growth target and a slew of underwhelming economic data elsewhere.

The economic outlook did attract a lot of attention, however. Much news coverage was given to an 'inversion' in the US yield curve as yields on 3-month government bonds briefly rose above those on 10-year government bonds. An inverted yield curve is widely viewed as a reliable predictor of economic downturns, although it is more commonly measured by the difference between 2-year and 10-year yields.

North American markets were among the month's best performers, helped by dovish comments from the Federal Reserve. The US central bank kept interest rates unchanged and indicated that they would not rise in 2019. Indeed, the options market is now pricing in a rate cut at some point this year. Asian markets were strong too, on optimism that China and the US would be able to resolve their trade hostilities - although any concrete advances are yet to materialise. In the UK, the Brexit process rumbled on interminably

“recovering gold price”

without any real progress, but the market was aided by its high international exposure; a weaker pound typically boosts overseas revenue for UK domiciled companies. As in February, the weakest returns came from Latin America, where a ratings agency marked down Mexico's creditworthiness, denting hopes that the newly appointed president, known as AMLO, will be able to revive the economy. Meanwhile, Brazilian equities slipped after Michel Temer, the former president, was arrested on corruption charges.

Given the worries about the economic outlook, economically sensitive sectors underperformed. These included industrials and financials, with the latter particularly affected by the prospect of lower interest rates. The strongest sector was real estate, which responded favourably to falling bond yields. Cautious sentiment during March was reflected among defensive sectors, such as consumer staples, which performed well too.

Also among the month's strongest performers were gold mining companies. Gold itself has been lacklustre for several years but has experienced a nascent revival in the last six months, amid a volatile political and stockmarket environment. We have investments in several gold miners, including Newcrest Mining, Newmont Mining and Barrick Gold.

These companies have caught investors' attention recently as the sector undergoes a renewed wave of mergers and acquisitions. This consolidation makes a lot of sense: the gold industry is still highly fragmented compared with other mining sectors. We see opportunities for these companies to benefit from a recovering gold price and more efficient operations while delivering growing dividends to shareholders.

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Performance

Total return on £100 to 31 March 2019	6 months	1 year	3 years	5 years	10 years
Share price ⁽¹⁾	93.9	104.3	146.1	154.8	275.5
NAV per share ⁽²⁾	93.8	105.1	137.7	151.6	296.7
MSCI All Countries World Index	97.9	110.5	149.5	174.9	341.1
MSCI UK All Cap Index	98.3	106.5	132.0	133.5	284.1

Summary balance sheet

	31/03/2019	28/02/2019	Total return
Market capitalisation	£612m	£610m	
Total assets	£784m	£768m	
Borrowings at amortised cost	£84m	£84m	
Net assets ⁽³⁾	£698m	£682m	
NAV ⁽²⁾ per share	880.1	862.5	2.0%
NAV ⁽³⁾ per share	910.3	889.3	2.4%
Share price	798.0	795.0	0.4%

⁽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	55
Gearing/(net cash) ⁽²⁾	1%
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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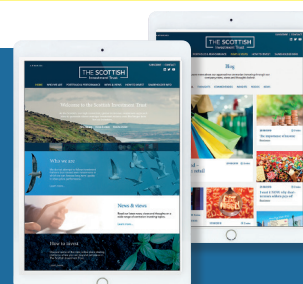
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The Scottish Investment Trust PLC



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 (31 March 2019)

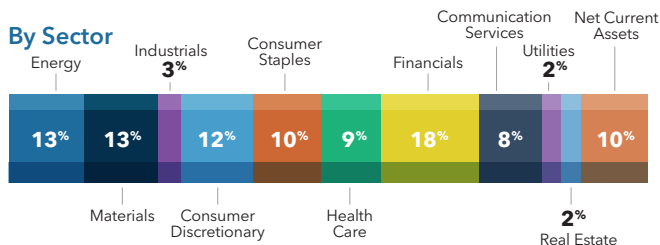
Holding	Sector	Country	£m	% ⁽⁴⁾
Tesco	Consumer Staples	UK	35.1	4.5
Newcrest Mining	Materials	Australia	31.5	4.0
GlaxoSmithKline	Health Care	UK	30.7	3.9
Pfizer	Health Care	US	26.4	3.4
Sumitomo Mitsui Financial	Financials	Japan	25.6	3.3
BHP	Materials	UK	25.2	3.2
Target	Consumer Discretionary	US	25.1	3.2
Royal Dutch Shell	Energy	UK	24.5	3.1
Gap	Consumer Discretionary	US	23.6	3.0
Newmont Mining	Materials	US	23.3	3.0
Aggregate of top 10 holdings			271.0	34.6

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

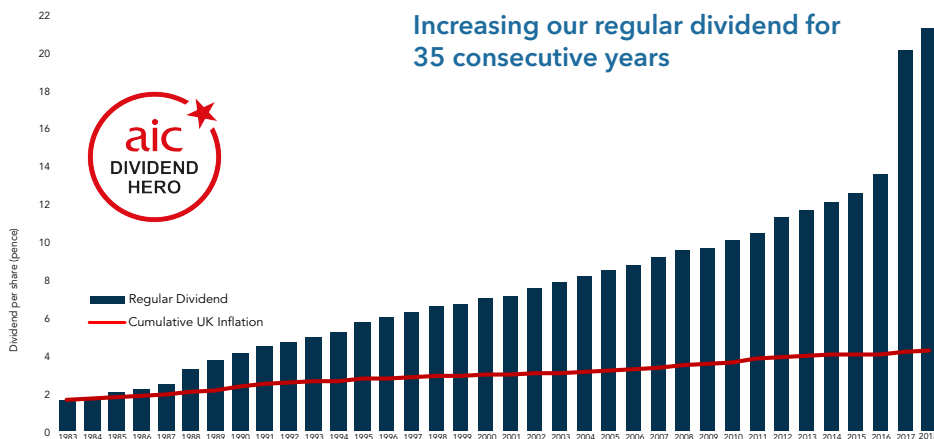
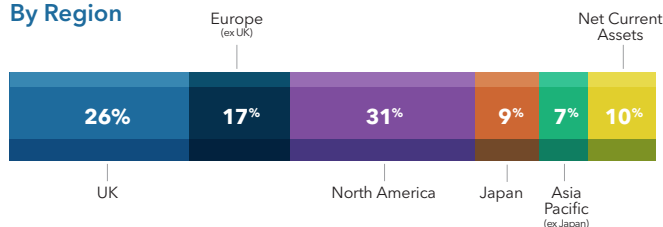
⁽⁴⁾ Percentage of total assets

Distribution of total assets (31 March 2019)

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.

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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