THE SCOTTISH Investment Trust

Monthly Factsheet
April 2019

ALASDAIR MCKINNON

The world's equity markets sustained their strong start to 2019, rising for a fourth consecutive month. Although uncertainty persists over the health of the global economy, investors took heart from a generally positive start to the earnings season – confounding some downbeat expectations. Meanwhile, there was growing optimism that the US and China would be able to strike a trade deal. Despite President Trump's claim early in the month that an "epic deal" – "the Grand Daddy of them all" – was a strong possibility, a concrete agreement has yet to emerge. Nonetheless, signs that the Sino-US discussions were on track provided a boost to sentiment.

Meanwhile, the oil price continued to strengthen, taking its year-to-date gain to 35%. Its strongest start to a year in decades, according to some. Upward pressure on the price came from the US decision to end Iran's oil waivers and from disruption to supplies from Russia.

In equity markets, the strongest regions were Europe and North America, helped by some economic data that showed improvement. Italy emerged from recession and the US delivered surprising strong first quarter GDP growth. The latter was especially striking given the bad weather and government shutdown at the start of the year. Latin America was the main laggard, just managing to eke out a positive return. This came as Brazil's much anticipated reform agenda remained mired in the legislative process. Despite a strong start to the month on hopes of a US/China trade deal, Asia (ex Japan) was also a laggard, held back by fears that Beijing might dial down its recent programme of monetary stimulus.

> "Cyclical sectors held a significant lead"

Cyclical sectors held a significant lead over defensives as investors continued to display the confidence that has characterised the year so far. The best returns came from financials, helped by a steeper yield curve. This reverses the inversion (often a signal of looming recession) that had caused concern in March and boosts banks' lending margins. Information technology also had a strong month, as did consumer discretionary. Healthcare was the weakest sector, not helped by Bernie Sanders' proposal of a 'Medicare for all' bill – a plan endorsed by four of his rivals for the Democratic presidential candidacy in 2020.

With the financial sector to the fore during the month, Standard Chartered was one of our best performing stocks, rising by more than 18%. The company is an emerging markets focused bank that has undergone an extensive restructuring since the arrival of a new CEO. We bought our position in early 2016 when sentiment was at a nadir. Since then, the company has steadily improved its returns and strengthened its balance sheet, allowing the resumption of dividends last year and, during the month, a $1 billion share buyback. Not so long ago, Standard Chartered was greatly out of favour with investors. However, as longer-term trends were looking more positive, we saw an opportunity for it to defy gloomy expectations. This encapsulates our contrarian investment approach.

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Performance

Total return on £100 to 30 April 2019	6 months	1 year	3 years	5 years	10 years
Share price [1]	99.5	99.7	142.4	160.6	257.4
NAV per share [2]	99.9	99.2	139.4	156.8	275.2
MSCI All Countries World Index	107.2	111.0	155.2	181.3	325.9
MSCI UK All Cap Index	106.0	102.3	133.0	133.4	264.2

Summary balance sheet

	30/04/2019	29/03/2019	Total return
Market capitalisation	£614m	£612m	
Total assets	£781m	£784m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£696m	£698m	
NAV [2] per share	883.0p	880.1p	0.9%
NAV [3] per share	912.9p	910.3p	0.9%
Share price	805.0p	798.0p	1.5%

[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

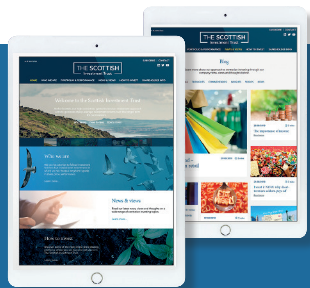
Company founded	1887
Manager	Alasdair McKinnon
Ongoing charges figure (OCF)	0.52%
Dividend yield	2.6%
Number of listed holdings	55
Gearing/(net cash) [2]	2%
Discount to NAV [2]	8.8%

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

info@thescottish.co.uk 0131 225 7781
The Scottish Investment Trust PLC, 6 Albyn Place, Edinburgh, EH2 4NL
www.thescottish.co.uk
@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 April 2019)

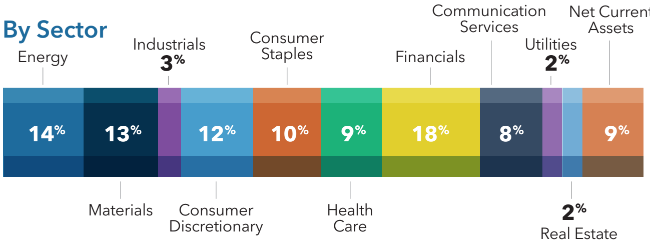
Holding	Sector	Country	£m	%[4]
Tesco	Consumer Staples	UK	37.7	4.8
Newcrest Mining	Materials	Australia	30.6	3.9
GlaxoSmithKline	Health Care	UK	30.3	3.9
Sumitomo Mitsui Financial	Financials	Japan	26.4	3.4
Standard Chartered	Financials	UK	25.9	3.3
Pfizer	Health Care	US	25.2	3.2
Royal Dutch Shell	Energy	UK	24.9	3.2
BHP	Materials	UK	24.6	3.2
Target	Consumer Discretionary	US	24.2	3.1
Gap	Consumer Discretionary	US	23.5	3.0
Aggregate of top 10 holdings			**273.3**	**35.0**

Link to a full list of holdings

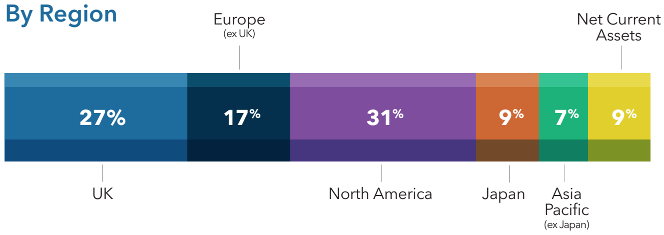
[4] Percentage of total assets

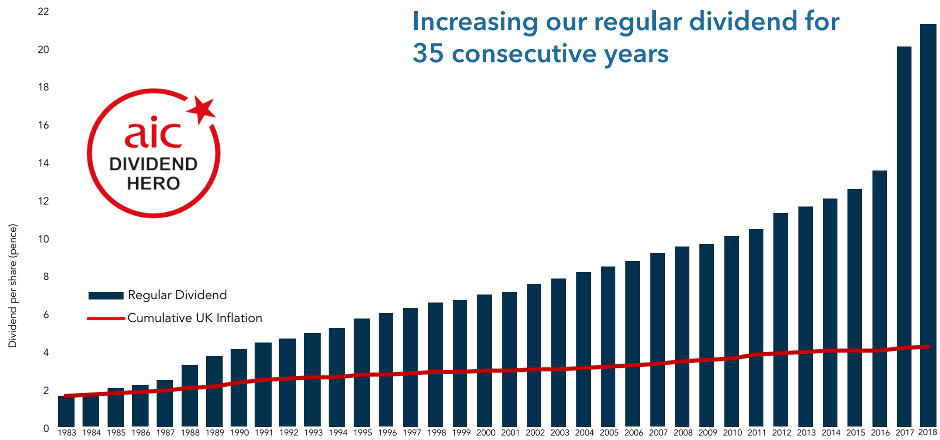
Distribution of total assets (30 April 2019)

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.

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Telephone: 0131 225 7781 | Email: info@thescottish.co.uk | Website: www.thescottish.co.uk