THE SCOTTISH Investment Trust

Monthly Factsheet
May 2019

ALASDAIR MCKINNON

As sentiment soured on the back of escalating trade tensions, global equities registered their first monthly decline this year. Investors worried about the outlook for the global economy as the US threatened new tariffs on goods from China and Mexico. A sharp fall in the pound boosted overseas returns for UK based investors, but this was not enough to prevent most markets losing ground in sterling terms.

In April, many thought that a Sino-US trade deal was imminent, but the prospect of a positive outcome soon dimmed in May. Accusing China of backtracking on previous agreements, President Trump increased the tariffs on $200 billion of Chinese goods. He then turned his attention to Mexico, threatening to ramp up trade tariffs if the flow of unauthorised migrants into the US was not stemmed.

Although the US Federal Reserve left interest rates unchanged, expectations are growing that rates could soon be cut. Markets currently indicate a high probability of at least one cut this year. In the UK, the cross-party Brexit talks broke down and Theresa May announced her intention to resign as prime minister. The pound, which has tended to reflect any perceived progress towards a workable Brexit outcome, weakened significantly.

In equity markets, there was a clear divide between defensive sectors, those typically more resilient to economic weakness, and sectors most dependent on global growth. The weakest area was information technology – a sector we believe to have been inflated by excessive enthusiasm and one that we avoid entirely. Other cyclical sectors declined too, including consumer discretionary, energy, materials, industrials and financials. The best performers were real estate and utilities, both of which typically benefit from lower interest rates and bond yields. Despite the Mexican standoff with the US, Latin America was the only region to record positive returns. The weakest regional returns came from Asia which is, so far, bearing the brunt of President Trump's trade hostilities.

Fears about the health of the global economy also weighed on the oil price. This had a knock-on impact on our oil related investments. Conversely, the heightened anxiety amplified the attractions of gold. Several of our investments in gold mining companies performed well, including Newmont Goldcorp and Newcrest Mining. Both gained more than 10% over the month.

“heightened anxiety amplified the attractions of gold”

Another strong performer was Swedish telecom company Tele2, a recent addition to the portfolio. Tele2 operates throughout Europe, but most of its sales and earnings come from its home country, where it recently completed a merger with cable operator Com Hem. This is expected to offer significant financial benefits. Meanwhile, the merger of its Dutch operations potentially heralds an improving regulatory environment for the sector. In recent years, investors have demonstrated an inexhaustible appetite for digital media and technology companies, but we think they are overlooking the physical infrastructure on which these businesses depend. As the environment for telecom companies gradually improves, we see an interesting contrarian opportunity.

Performance

Total return on £100 to 31 May 2019	6 months	1 year	3 years	5 years	10 years
Share price [1]	97.3	93.2	139.0	151.1	258.9
NAV per share [2]	97.7	94.1	134.4	148.5	268.7
MSCI All Countries World Index	102.6	104.2	149.8	171.6	313.9
MSCI UK All Cap Index	104.9	96.5	128.1	127.7	246.7

Summary balance sheet

	31/05/2019	30/04/2019	Total return
Market capitalisation	£591m	£614m	
Total assets	£763m	£781m	
Borrowings at amortised cost	£84m	£84m	
Net assets [3]	£678m	£696m	
NAV [2] per share	860.4p	883.0p	-2.6%
NAV [3] per share	891.1p	912.9p	-2.4%
Share price	777.0p	805.0p	-3.5%

[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	2.7%
Number of listed holdings	51
Gearing/(net cash) [2]	0%
Discount to NAV [2]	9.7%

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**

ABOUT THE SCOTTISH

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 May 2019)

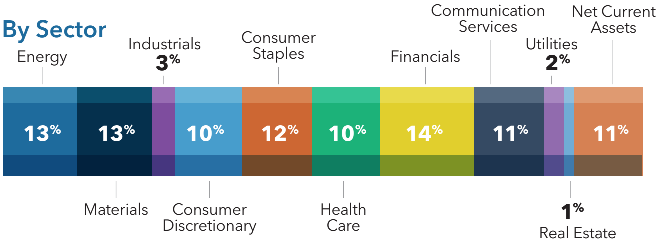
Holding	Sector	Country	£m	%[4]
Tesco	Consumer Staples	UK	34.2	4.5
Newcrest Mining	Materials	Australia	33.7	4.4
GlaxoSmithKline	Health Care	UK	29.4	3.8
Newmont Goldcorp	Materials	US	26.7	3.5
Pfizer	Health Care	US	26.7	3.5
Target	Consumer Discretionary	US	26.0	3.4
Standard Chartered	Financials	UK	25.4	3.3
Royal Dutch Shell	Energy	UK	25.0	3.3
Barrick Gold	Materials	Canada	22.4	2.9
Pepsico	Consumer Staples	US	20.0	2.6
Aggregate of top 10 holdings			**269.5**	**35.2**

Link to a [full list of holdings]

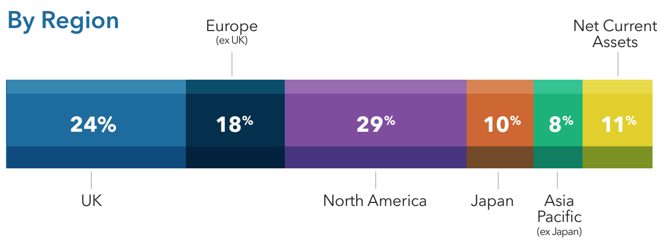
[4] Percentage of total assets

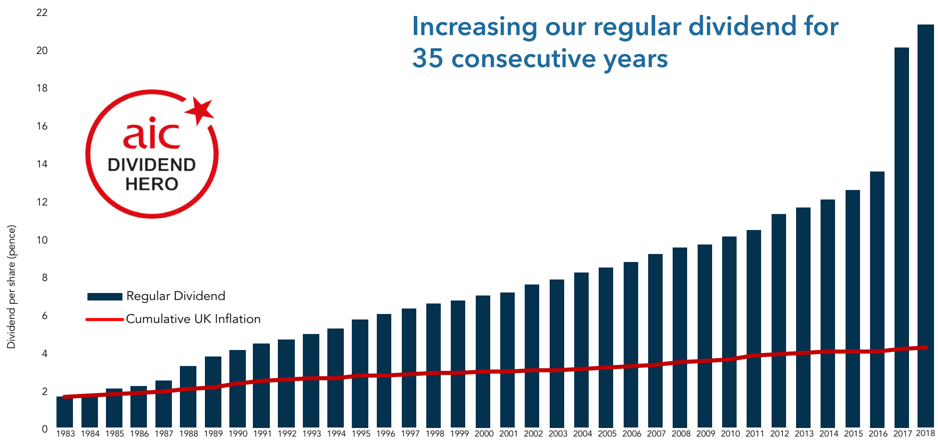
Distribution of total assets (31 May 2019)

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.

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