



ALASDAIR MCKINNON

After their slump in May, the world's equity markets rebounded in June. Sentiment was boosted by the prospect of additional central bank stimulus and a more conciliatory tone in the Sino-US trade talks. As the month drew to a close, investors focused on the G20 summit in Osaka where the US and China agreed to restart trade negotiations and to not increase tariffs further. Meanwhile, heightened tensions between the US and Iran, after the downing of a US drone and the damaging of oil tankers, culminated in US threats of military retaliation and new sanctions.

An interest rate cut in the US took a step closer after the Federal Reserve removed the word 'patient' from its commentary. Most analysts now expect a cut at July's rate-setting meeting. The European Central Bank indicated that additional monetary stimulus could be forthcoming in the Eurozone too. As investors reacted to the prospect of lower rates and a deteriorating economy, bond yields fell sharply. French government bond yields turned negative for the first time, joining Germany and Japan in offering sub-zero returns.

The strongest equity returns in sterling terms came from North America. The S&P 500 hit a record high, boosted by a renewed appetite for risk and a surge in big technology stocks, despite moves to increase regulation during the month. In Latin America, Mexico averted US tariffs by agreeing to stem the flow of illegal migrants. The region's stockmarkets benefited from the 'risk on' environment. With a relatively muted positive return, Japan was the main laggard. The

“equity markets  
rebounded”

UK also trailed other markets. Boris

Johnson emerged as the frontrunner to succeed Theresa May as prime minister, which some perceive as increasing the chances of a no deal Brexit.

The materials sector was exceptionally strong, helped by trade optimism and a surge in the gold price. Information technology also outperformed as hopes of looser monetary policy encouraged speculative investors. Among the weakest areas were the traditionally defensive sectors: utilities, consumer staples and telecoms.

The oil price rose as tensions in the Middle East threatened to constrain supply. The prospect of further central bank stimulus boosted gold, which is seen as a reliable store of value and tends to do well when cash looks less attractive.

A prime beneficiary of the higher gold price is Barrick Gold, the most recent addition to our gold exposure. Its shares rose by more than 25% in June. One of the world's largest gold miners, Barrick has been central to the recent consolidation in its sector, having merged with Randgold Resources and bid for Newmont Mining. The Randgold merger should increase production and lower costs. The Newmont bid, although not consummated, culminated in a joint venture between the two companies' Nevada operations, offering significant cost savings. We believe the merits of gold are currently overlooked and Barrick, with its strong operations and robust balance sheet, fits well into our portfolio. Barrick exemplifies our contrarian call on gold - a view that is paying off.

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### Performance

Total return on £100 to 30 June 2019	6 months	1 year	3 years	5 years	10 years
Share price <sup>(1)</sup>	111.2	96.8	143.9	160.0	295.2
NAV per share <sup>(2)</sup>	110.5	97.0	134.2	156.1	290.0
MSCI All Countries World Index	116.3	109.7	146.1	181.2	340.1
MSCI UK All Cap Index	113.5	100.5	128.3	134.6	264.0

### Summary balance sheet

	30/06/2019	31/05/2019	Total return
Market capitalisation	£621m	£591m	
Total assets	£794m	£763m	
Borrowings at amortised cost	£84m	£84m	
Net assets <sup>(3)</sup>	£709m	£678m	
NAV <sup>(2)</sup> per share	905.0p	860.4p	5.2%
NAV <sup>(3)</sup> per share	938.5p	891.1p	5.3%
Share price	823.0p	777.0p	5.9%

<sup>(1)</sup> Net income reinvested and before expenses are deducted.

<sup>(2)</sup> With borrowings at market value <sup>(3)</sup> 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) <sup>(2)</sup>	1%
Discount to NAV <sup>(2)</sup>	9.1%

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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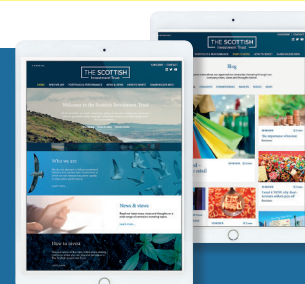
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The Scottish Investment Trust PLC



## 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 (30 June 2019)

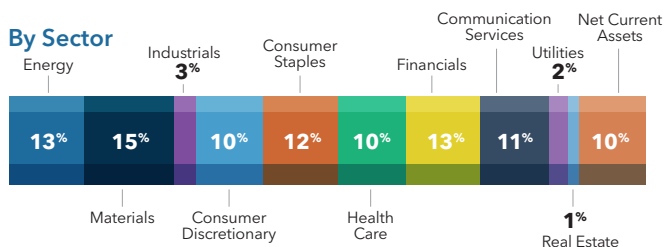
Holding	Sector	Country	£m	% <sup>(4)</sup>
Newcrest Mining	Materials	Australia	39.8	5.0
Tesco	Consumer Staples	UK	34.2	4.3
Newmont Goldcorp	Materials	US	30.8	3.9
GlaxoSmithKline	Health Care	UK	30.3	3.8
Barrick Gold	Materials	Canada	28.2	3.6
Target	Consumer Discretionary	US	27.7	3.5
Pfizer	Health Care	US	27.6	3.5
Standard Chartered	Financials	UK	26.4	3.3
Royal Dutch Shell	Energy	UK	26.1	3.3
Pepsico	Consumer Staples	US	20.3	2.6
<b>Aggregate of top 10 holdings</b>			<b>291.4</b>	<b>36.8</b>

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

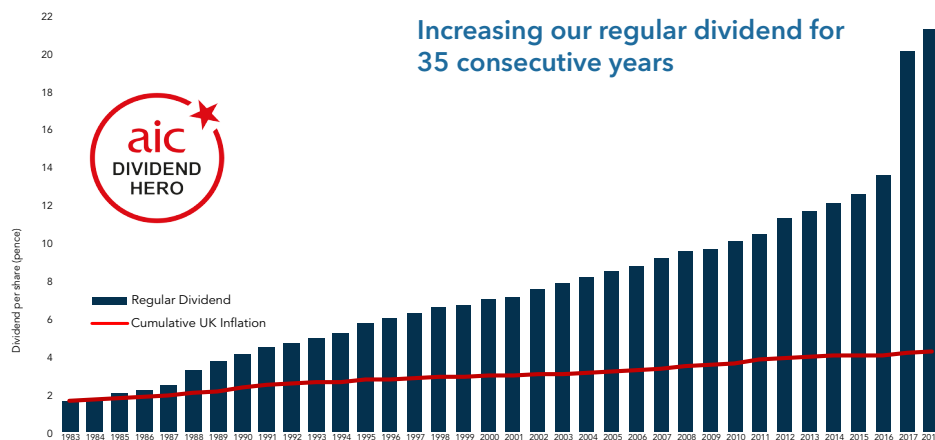
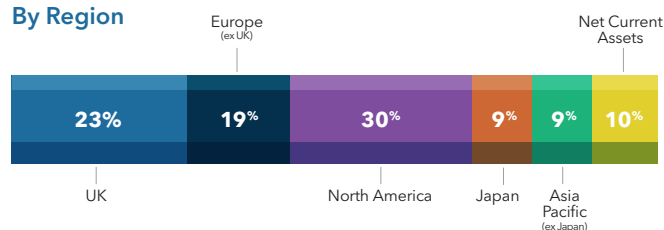
<sup>(4)</sup> Percentage of total assets

## Distribution of total assets (30 June 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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