The Scottish Investment Trust PLC

# INFORM

www.sit.co.uk

The year ended with a strong fourth quarter for the company. Over the three months to end-October 2010, the NAV rose by 9.9% (ex-income and with borrowings at par) and the share price rose by 9.6% compared with gains for the global FTSE All-World Index™ of 6.9% and the UK FTSE All-Share Index™ of 8.1%.

Over the year to end-October 2010, the NAV rose in total return terms by 17.0% (cum-income and with borrowings at par) compared with the FTSE All-World which rose by 18.2% and the UK FTSE All-Share, which rose by 17.5%. The equity portfolio rose by 17.6% in total return terms.

The recommended dividend for the year is 10.05p per share (2009 – 9.60p) - an increase of 4.7% which compares with October UK CPI inflation of 3.2% and RPI inflation of 4.5%. If approved, SIT's dividend will have increased in each of the last 27 years.

Over five years the company's dividend has increased by 19.6%. This compares with RPI inflation of 16.8% and CPI inflation of 14.4%.

| | |
|---|---|
| AIC Category | Global Growth |
| Total assets | £740 million |
| Cum-Income NAV with borrowings at par | 533.7p |
| Cum-Income NAV with borrowings at market value | 521.7p |
| Ex-Income NAV with borrowings at par | 527.7p |
| Ex-Income NAV with borrowings at market value | 515.7p |
| Share price | 469.3p |
| Discount to ex-income NAV | 9.0% |
| Effective Equity Gearing | 109% |

As at 31 October 2010

## NAV and Share Price Performance (Total return on £100)

| | 1 year | 5 years | 10 years |
|---|---|---|---|
| Ex-Income NAV with borrowings at par | 117 | 138 | 121 |
| Share price | 117 | 140 | 131 |

£100 invested with dividends reinvested, before expenses are deducted. As at 31 October 2010

## Quarterly Performance 31 July 2010 - 31 October 2010

| | (%) |
|---|---|
| **Ex-Income NAV** with borrowings at par | **9.9** |
| **Ex-Income NAV** with borrowings at market value | **9.5** |
| **Share price** | **9.6** |
| FTSE All-World Index™ | 6.9 |
| UK FTSE All-Share Index™ | 8.1 |

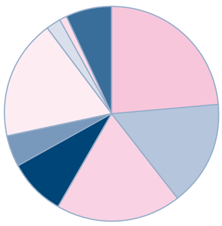
## Top 10 Holdings

as % of total assets

| | | |
|---|---|---|
| 1 | Apple - US | 3.4 |
| 2 | Serco - UK | 2.5 |
| 3 | Li & Fung - Hong Kong | 1.9 |
| 4 | McDonald's - US | 1.9 |
| 5 | Kia Motors - Korea | 1.9 |
| 6 | BP - UK | 1.8 |
| 7 | Aspen Pharmacare - South Africa | 1.7 |
| 8 | Atlas Copco - Sweden | 1.6 |
| 9 | Tencent - Hong Kong | 1.6 |
| 10 | Spectris - UK | 1.5 |

As at 31 October 2010

## Geographical Distribution of Total Assets



| | |
|---|---|
| UK | 24% |
| Europe (ex UK) | 16% |
| North America | 19% |
| Latin America | 9% |
| Japan | 4% |
| Asia Pacific (ex Japan) | 18% |
| Middle East & Africa | 2% |
| Fixed interest | 1% |
| Net current assets | 7% |
| | 100% |

As at 31 October 2010

## Standardised Past Performance

| Last price to last price net income reinvested % growth year to 31 October 2010 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| **The Scottish Investment Trust** | **22.0** | **20.0** | **-28.0** | **13.1** | **17.1** |

NAV is net asset value per share. In line with our reporting policy, the NAVs are calculated taking the valuation of investments at closing bid or last price, as the case may be. The latest NAVs are unaudited. "Borrowings at par" is the nominal value of the borrowings less any unamortised issue expenses. Borrowings at market value is the company's estimate of the "fair value" of its borrowings. The current estimated fair value of the company's secured bonds is based on the redemption yield of the reference gilt plus a margin of 100 basis points (1 percentage point).

The reference gilt is the 6% Treasury Stock 2028. "Total assets" means total assets (cum-income) less current liabilities. Gearing is based on ex-income figures with borrowings at par. All sources SIT unless otherwise stated. Industry Classification Benchmark (ICB): Source and 

Past performance is not a guide to future performance. 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.

# Review of World Equity Markets - 3 months to 31 October 2010

- Global stockmarkets were strong over the quarter, triggered by the prospect of further US quantitative easing and continued strength in corporate earnings. The FTSE All-World Index™ rose by 6.1% in local terms and by 6.9% in sterling terms. SIT's ex-income NAV with borrowings at par rose by 9.9%, while the share price rose by 9.6%. The only regional market that did not rise in local terms was Japan, which fell by 4%. Asia Pacific (ex Japan) was the best performing regional market. All regions rose in sterling terms as sterling fell by 2.6% on a trade-weighted basis. However, sterling did rise by 2.1% against the noticeably weak US dollar.
- Sector performance reflected the strong market and more economically-sensitive sectors performed best. Basic Materials rose 14%, driven by Chemicals and Mining while Consumer Services rose 9%, led by the Travel & Leisure sector. More unusually, the traditionally defensive Telecommunications sector was also strong and rose by 9%. Financials were the only notable laggard (+2%), dragged down by poor performance from a number of banks which were feared to require further capital injections.
- Bonds, precious metals and commodities also performed well over the quarter, with different markets appearing to price in contradictory inflation expectations. Ten year government bond yields fell to near recent lows in all major markets, while inflation proof index-linked bonds implied that inflation would remain subdued for an extended period. In contrast, gold reflected concerns regarding the impact of further unorthodox "quantitative easing" policy measures from the US and rose 15% to $1,347 per troy ounce. Oil rose by 7% to $82.6 per barrel (Brent).
- In the UK, the Chancellor of the Exchequer presented the Spending Review which outlined an £81bn reduction in government spending to 2013/14 compared to the original spending plans of the previous government. Actual cash spending will increase, with the government relying on a growing economy (and increasing tax revenues) to reduce the budget deficit. Pressure on the Bank of England to sanction further quantitative easing was relieved by surprisingly robust Q3 GDP growth of 0.8% (Q/Q).
- In the eurozone, there remained a clear dichotomy between the strength of the German economy and the weakness of the peripheral economies. German Q2 GDP grew at 2.3% (Q/Q), while GDP in Greece, Ireland and Spain declined. Investors remained concerned about the risk of sovereign default in a weaker economy and bond yields in peripheral countries moved higher to reflect this. The solvency of the Irish banking system was particularly called into question as the scale of commercial property losses was revealed. In France, an unpopular package of austerity measures, prompted an extended general strike.
- In the US, economic news was overshadowed by comments from Federal Reserve officials that further quantitative easing was considered necessary to target an explicit higher rate of inflation. Actual economic data was modestly positive, with annualised Q3 GDP of 2%, a slight uptick in consumer confidence and signs of stabilisation in house prices. However, unemployment remained stubbornly high. Brazil and Mexico both continued to grow strongly, with Q2 GDP in both countries higher than expected. Canada and Chile both raised interest rates during the quarter.
- In Asia Pacific (ex Japan), economies generally remained strong, so much so that India, China, Thailand and New Zealand raised interest rates and Hong Kong and Singapore announced measures to cool property markets. Over the quarter, inflationary pressures started to concern policy makers, especially as a number of staple foodstuffs increased significantly in price. There was considerable new equity issuance in the region, most notably the Hong Kong listing of insurance company AIA which raised over US$20bn. In Japan, the economy remained weak. The government announced a Y9.8trn emergency stimulus package and intervened in the foreign currency markets to weaken the yen which reached a 15 year high against the US dollar.

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Please contact us for information on the following:

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- STOCKPLAN Investment Trust Savings Scheme
- The SIT ISA
- ISA Transfer
- Investing for Children - STOCKPLAN: A Flying Start
- Share Exchange
- Annual and Interim Reports

## SIT FactFile

Established - 1887 • Year end - 31 October • Accounts published: Annual - December, Interim - June
Annual General Meeting - January • Manager - John Kennedy

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