

**The Scottish Investment Trust PLC**  
**Interim Management Statement**  
**Three Months to 31 January 2009**

**Objectives**

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.

**Review of the three months to 31 January 2009**

Stockmarkets around the world have remained volatile within a relatively narrow range since the end of October 2008 reflecting concerns over the global economic slowdown currently underway, the related fall in corporate profitability and the ongoing crisis facing the banking industry in several regions.

In the three months to 31 January 2009, the ex-income NAV fell by 1.5% with borrowings at par and by 2.8% with borrowings at market value. The company's principal comparator indices, the FTSE All-World Index™ and the UK FTSE All-Share Index™ fell by 1.3% and 4.8% respectively. The company's stock price fell by 0.8% and the stock price discount to NAV narrowed from 7.5% at the year-end to 5.6% (with borrowings at market value).

At the AGM in January, stockholders approved the declaration of a final dividend of 5.05p per ordinary stock unit which was paid on the 5 February 2009.

Stockholders also voted to renew the company's authority to repurchase its own stock. These powers are used as part of the stock buyback scheme which is intended to maintain the company's stock price discount to ex-income NAV at 9% or less, with borrowings taken at market value. Over the three months, the company repurchased for cancellation 0.8m stock units at an average discount of 10.5% and a cost of £2.8m. The average daily discount over the three months was 7.1%.

Effective gearing was lowered marginally to 103.4% from the year-end level of 104.3%. The main focus of portfolio activity during the quarter has been income generation from both equity and fixed interest investments. For equities, this was implemented by the purchase of a number of investments with above-average dividend yields funded by sales of lower yielding holdings or in a small number of cases, holdings where the dividend was at risk of being cut. In fixed interest, there were purchases of £26.6m of UK, European and US short-dated corporate bonds in order to compensate in part for the lack of available deposit interest on cash balances as interest rates have been cut aggressively in the main developed economies.

**Financial Summary**

	31 January 2009 £,000s	31 October 2008 £'000s	change %
Equity investments	524,004	539,634	
Fixed interest investments	25,910	-	
Net current assets (cum-income)	65,949	93,887	
Total assets	615,863	633,521	-2.8
Borrowings at par	(107,523)	(107,492)	
Pension liability	(350)	(350)	
Equity stockholders' funds	507,990	525,679	-3.4
Cum-income NAV with borrowings at par	394.2p	405.5p	-2.8
Cum-income NAV with borrowings at market value	392.4p	408.9p	-4.0
Ex-income NAV with borrowings at par	392.8p	398.8p	-1.5
Ex-income NAV with borrowings at market value	391.0p	402.2p	-2.8
Stock price	369.0p	372.0p	-0.8

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Discount to ex-income NAV with borrowings at market value	5.6%	7.5%
Effective Gearing	103.4%	104.3%

FTSE All-World Index <sup>TM</sup>	-1.3
UK FTSE All-Share Index <sup>TM</sup>	-4.8

### NAV and Share Price Performance

	1 year	3 years	5 years
NAV (with borrowings at par) total return on £100	78	87	126
Share price total return on £100	81	91	151

### Distribution of Total Assets

By Sector	31 January	31 October	By Region	31 January	31 October
	2009	2008		2009	2008
	%	%		%	%
Oil & Gas	8.4	7.9	UK	23.1	21.4
Basic Materials	1.7	2.0	Europe (ex UK)	19.2	16.1
Industrials	17.7	15.9	North America	25.3	31.2
Consumer Goods	12.7	11.7	Latin America	3.5	3.7
Health Care	11.9	12.1	Japan	6.8	5.8
Consumer Services	10.0	10.4	Asia Pacific (ex Japan)	6.1	6.0
Telecommunications	8.3	6.0	Middle East & Africa	1.1	1.0
Utilities	4.1	4.1	Fixed interest	4.2	-
Financials	8.5	12.1	Net current assets	10.7	14.8
Technology	1.8	3.0		100.0	100.0
Fixed interest	4.2	-			
Net current assets	10.7	14.8			
	100.0	100.0			

### Top Ten Holdings

Holding	Industry Sector	Country	£'000s	%
Gilead Sciences	Health Care	US	17,077	2.8
Royal Dutch Shell	Oil & Gas	UK	14,761	2.4
Monsanto	Consumer Goods	US	13,325	2.2
Vodafone	Telecommunications	UK	12,753	2.1
Nintendo	Consumer Goods	Japan	12,677	2.1
Telefonica	Telecommunications	Spain	12,579	2.0

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United Utilities	Utilities	UK	11,963	1.9
BP	Oil & Gas	UK	11,738	1.9
KDDI	Telecommunications	Japan	11,322	1.8
Fresenius Medical Care	Health Care	Germany	11,026	1.8

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### **Important information**

The Scottish Investment Trust PLC (SIT) is not authorised to give financial advice. This information should not be considered an offer or solicitation to deal in investments.

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.

SIT has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns and, should stockmarkets fall, such borrowings would magnify losses on these investments.

All sources SIT unless otherwise stated

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NAV is net asset value per ordinary stock unit.

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 market value is the company's estimate of the fair value of its borrowings.

Borrowings at par is the nominal value of the borrowings less any unamortised issue expenses.

Total assets means total assets (cum-income) less current liabilities.

Gearing is based on ex-income figures with borrowings at par.

All percentage distributions are of total assets.

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