

# INVESTORS'

## newsletter



### SIT 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.

AIC Category	Global Growth
Total assets	£765 million
Cum-Income NAV with borrowings at par	561.0p
Cum-Income NAV with borrowings at market value	553.9p
Ex-Income NAV with borrowings at par	559.7p
Ex-Income NAV with borrowings at market value	552.6p
Share price	498.5p
Discount to ex-income NAV with borrowings at market value	9.8%
Effective Equity Gearing	105%

### Top 10 Holdings

as % of total assets

1	Apple - US	3.7
2	Li & Fung - Hong Kong	2.3
3	BP - UK	2.0
4	Serco - UK	1.8
5	McDonald's - US	1.7
6	Tencent - Hong Kong	1.7
7	Kia Motors - South Korea	1.7
8	Komatsu - Japan	1.5
9	Atlas Copco - Sweden	1.4
10	América Móvil - Mexico	1.4

### NAV and Share Price Total Return on £100

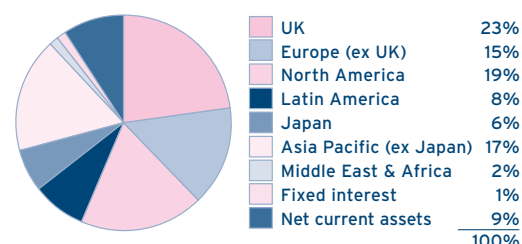
	1 year	5 years	10 years
Ex-Income NAV with borrowings at par	121	130	131
Share price	120	129	135

Net income reinvested and before expenses are deducted.

### Performance over the Quarter 31 October 2010 - 31 January 2011 (%)

Ex-Income NAV with borrowings at par	6.1
Ex-Income NAV with borrowings at market value	7.2
Share price	6.2
FTSE All-World Index™	5.9
UK FTSE All-Share Index™	3.7

### Geographical Distribution of Total Assets



### Standardised Past Performance

Last price to last price with net income reinvested and before expenses are deducted. % growth year to 31 January	2007	2008	2009	2010	2011
The Scottish Investment Trust	9.9	2.2	-18.9	17.5	20.5

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 copyright © FTSE International Limited and Dow Jones & Company, Inc. All rights therein reserved.

Please note this newsletter is sent to all investors. If you have more than one holding with us, you may receive more than one copy of the newsletter as the cost of de-duplicating is greater than the cost of the additional print and postage.

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.

# THE SCOTTISH INVE

## The SIT ISA deadlines

The deadline for investing in The SIT ISA for the current tax year is **Tuesday, 5 April 2011**.

If you want to top up or re-activate your SIT ISA using your debit card, you can do so by telephoning the ISA Administrator, Halifax Share Dealing Ltd (HSDL), on **0845 850 0181**.

In addition to the usual opening hours, the telephone lines are open:

**Saturday and Sunday (2 & 3 April) 9am to 5pm**

**Monday and Tuesday (4 & 5 April) 8am to midnight**

If you want to use a personal cheque to top up or re-activate your SIT ISA or if you are posting a personal cheque with an application form to open a SIT ISA, the deadline for receipt by HSDL is **midday on Tuesday, 5 April 2011**.

Up to **£10,200** can be invested in an ISA in the current tax year. The full amount can be invested into a stocks and shares ISA, or up to **£5,100** can be placed into a cash ISA, with the remainder being invested into a stocks and shares ISA.

## Change to ISA investment limits

From 6 April 2011, the annual ISA investment limit is to be indexed annually in line with the Retail Prices Index (RPI) for the September preceding the start of each new tax year.

Increased investment limits are to be rounded to the nearest multiple of **£120** to make the calculations easier for those who invest monthly.

### Tax year 2011/2012

The maximum total investment into an ISA for the tax year 2011 – 2012 is **£10,680**.

Up to **£10,680** can be invested in a stocks and shares ISA with one provider.

Alternatively, up to **£5,340** may be placed in a cash ISA and the balance up to the **£10,680** limit can be invested in a stocks and shares ISA with either the same or another provider.

Please bear in mind that you cannot invest in more than one cash ISA or more than one stocks and shares ISA in the same tax year – to do so breaches the ISA rules.

## 'Transferring' from a STOCKPLAN to an ISA

Investors often ask if they can transfer the shares they hold in their STOCKPLAN into The SIT ISA.

HM Revenue & Customs ISA regulations do not permit the direct transfer of shares held in a STOCKPLAN into The SIT ISA.

In order to move funds from a STOCKPLAN to a SIT ISA, the relevant number of shares must first be sold from the STOCKPLAN and the realised cash transmitted to your bank account. The cash can then be used in the form of a lump sum payment by personal cheque to open a SIT ISA or to invest in an existing SIT ISA.

You can obtain an application form for The SIT ISA by telephoning our brochure request line on **0800 42 44 22**. Or you can download a form from our website **www.sit.co.uk**

Alternatively, it may be possible for our scheme administrator, Halifax Share Dealing Ltd (HSDL), to sell shares from your STOCKPLAN and then re-invest the proceeds into your SIT ISA or use them to open a SIT ISA if you do not already have one. Such instruction may be given by telephone to HSDL on **0845 850 0181**. It is important to note: this service is not offered by SIT, nor is it covered by our schemes' Terms & Conditions. You would be entering into a transaction with HSDL and would be covered by their Terms & Conditions.

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. SIT can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing. Investment in SIT is intended as a long-term investment. Tax rates and reliefs can change in the future and the value of any tax advantages will depend on personal circumstances. All sources SIT unless otherwise stated.

SIT Savings Ltd, a wholly owned subsidiary of The Scottish Investment Trust PLC, is the plan manager of STOCKPLAN, STOCKPLAN: A Flying Start and The SIT ISA and is authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

This document is for information only and does not constitute investment recommendation or advice.

# STATEMENT TRUST PLC

As the movement of shares from a STOCKPLAN to a SIT ISA is not by direct transfer but by sale and re-investment, there are a number of points to note:

- It costs £11.95 to sell shares from your STOCKPLAN (this amount would be taken from the proceeds of the sale).
- The sale of shares from your STOCKPLAN would count as a disposal for capital gains tax purposes. Depending on your financial circumstances, this means the sale could incur a liability for capital gains tax.
- The STOCKPLAN has no annual charge. The SIT ISA has an annual management charge (0.6%, currently capped at £30 + VAT).
- Stamp duty (of 0.5%), which would have been paid on the original STOCKPLAN investment, will again be applicable to the reinvestment into The SIT ISA.
- Due to the short-term nature of this particular sale and reinvestment process, the bid-offer spread – the difference between the selling price and the buying price of the shares – will have an impact. Any market movement that occurs during this process may work in your favour and cover this difference; equally it could work against you and exacerbate it.
- When moving investment from a STOCKPLAN to an ISA, the ISA annual investment limit, currently £10,200, still applies. Thus, an instruction to ‘transfer’ a whole STOCKPLAN to an ISA could result in a significant – but unintended – left-over cash balance. This residual cash would then be paid to the investor.

Due consideration should be taken of the above and must be weighed against the tax benefits of the ISA to your particular financial circumstances.

If you are in any doubt as to the suitability of such an action, you should obtain appropriate professional advice.

## Dividend information

SIT's final dividend 2010 of 5.60p per share was paid on 7 February 2011 to shareholders registered at the close of business on 7 January 2011.

For SIT name on register shareholders (investors who are not in one of our schemes but whose names are on the share register and who hold share certificates), dividends are automatically paid out as income. Payment is by cheque; however, this can be an inconvenient method as it requires the investor to bank the cheque. A quicker, more efficient way is to have the payment mandated directly to your bank account. If you would like to have dividends paid directly into your bank account rather than receiving them by cheque, please visit our Registrar's website [www.investorcentre.co.uk](http://www.investorcentre.co.uk) You can either use the Bank Details Update link in the right hand menu or the Downloadable Forms option. The form you would need to complete and send to our Registrar is 'Change Dividend Mandate Instruction'. Alternatively, you can telephone our Registrar, Computershare Investor Services PLC, on **0870 703 0195**.

If you would prefer to have your dividends re-invested into SIT shares rather than paid out to you, this can easily be arranged by using the Dividend Reinvestment Plan application form which is found in the investor relations section of our website [www.sit.co.uk](http://www.sit.co.uk) Once you have downloaded and completed the form, it should be sent to our Registrar. Alternatively, you can telephone our Registrar on **0870 703 0195**.

Please note: if you invest through one of our schemes, STOCKPLAN, STOCKPLAN: A Flying Start or The SIT ISA, your dividends are automatically re-invested and there is no need for you to take any action.



## Key Contact Numbers

- Administrative and pension enquiries for The SIT SIPP:  
**08457 22 55 25**
- Administrative queries for STOCKPLAN / STOCKPLAN:  
A Flying Start and The SIT ISA investors:  
**0845 850 0181**
- Administrative queries for all other SIT investors:  
**0870 703 0195**

- General queries to the managers: **0131 225 7781**
- SIT email: **info@sit.co.uk**
- SIT web site: **www.sit.co.uk**
- To order further information on SIT products and services, please call our brochure request line on Freephone: **0800 42 44 22**

# Review of World Equity Markets - 3 months to 31 January 2011

- Global stockmarkets enjoyed a strong quarter, driven by further fiscal stimulus in the US, better than expected US economic data and diminished concerns regarding European periphery sovereign debt. Emerging markets lagged as higher inflation prompted monetary tightening in this region, while investors were unsettled by civil unrest in Egypt and Tunisia.
- The FTSE All-World Index™ rose by 6.1% in local terms and by 5.9% in sterling terms. SIT's ex-income NAV with borrowings at par rose by 6.1%, while the share price rose by 6.2%. Latin America was the only regional market that did not rise in local terms, falling by 2.3%. Japan and North America were both noticeably strong, rising 11.8% and 8.4% respectively. In sterling terms, returns were broadly similar although currency weakness in the Middle East & Africa caused a fall of 2.8%, while a weak yen reduced Japanese returns to 9.7%.
- Nine of the ten industry groups comprising the FTSE All-World Index rose over the quarter, with only a marginal fall from the tenth, Telecommunications. Sector performance reflected the strong market with more economically-sensitive sectors delivering the best performance. Oil & Gas rose 16%, driven by the oil price, while companies in Industrials (+11%) and Technology (+9%) reflected a strong operating environment. In contrast, more defensive industries were laggards as Telecommunications fell 0.3%, Utilities rose 0.1% and Health Care rose 0.9%.
- In major developed markets, ten year government bond yields rose appreciably over the quarter. Some observers have interpreted this as a definitive signal of an increase in inflationary expectations while others considered it a simple normalisation from extremely low levels. Index-linked bond yields continue to suggest muted inflation for an extended period while gold fell by 1%.
- Commodities performed strongly over the quarter, oil rose by 20% to \$99.5 per barrel (Brent) while copper rose by 19%. A number of agricultural commodities also rose strongly - of particular concern to policymakers in some emerging markets as basic foodstuffs account for a substantial proportion of a low income consumption basket.
- In the UK, economic growth unexpectedly stalled as GDP fell by 0.5% (Q/Q), although much of the fall was attributable to disruptive weather in December. CPI Inflation remained above the government's target in December at 3.7% (Y/Y) but the Bank of England continues to believe the pressures are transient. The above factors, combined with a New Year VAT rise, caused a large fall in consumer confidence.
- In the eurozone, the German economy remained strong, with little improvement in the weak peripheral economies. German Q3 GDP grew at 0.7% (Q/Q), while GDP in Greece was negative and flat in Spain. In Germany, unemployment stood at 7.5%, in contrast to 14% in Greece, 13% in Ireland, 11% in Portugal and 20% in Spain. Concerns regarding a peripheral sovereign default diminished, particularly as it became clear that the scope and scale of the European Financial Stability Fund could be expanded.
- In the US, the major news was the stimulatory impact of an extension of a package of tax cuts and unemployment benefits. Annualised Q4 GDP data provided evidence of an improving economy with an increase of 3.2% but the unemployment rate remains high at 9.4%. Growth remained strong in Latin America although inflationary concerns caused Brazil to raise interest rates by 50 basis points to 11.25%.
- In Asia Pacific (ex Japan), economies remained strong but rising inflation prompted authorities in China, India, South Korea, Taiwan and Thailand to raise interest rates and in some cases to enact other measures to cool economic activity. Investors were concerned that such policies would dampen future growth and although the regional index rose as a whole, prominent Asian markets fell heavily.
- In Japan, the economy showed some modest signs of improvement; Q3 GDP increased by 1.1% (Q/Q), while the coincident index, a measure of current economic conditions, improved over the quarter. However, the risk of deflation remains, with a December inflation of 0% (Y/Y).

## MakeContact phone fax email web

### For literature please:

Telephone us on	0800 42 44 22
Fax us on	0131 226 3663
Email us at:	info@sit.co.uk
Visit our website at:	www.sit.co.uk

### Or write to:

SIT Savings Ltd, FREEPOST EH882,  
6 Albyn Place, Edinburgh EH2 OBR

### Please contact us for information on the following:

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

 The Scottish  
Investment Trust PLC

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