

# 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 less current liabilities           | £850 million  |
| Discount to NAV with borrowings at market value | 9.0%          |
| Equity Gearing with borrowings at par           | 100%          |
| NAV with borrowings at market value             | 540.9p        |
| Share price                                     | 492.0p        |

### Top 10 Holdings

as % of total assets

|    |                                     |     |
|----|-------------------------------------|-----|
| 1  | Fiat - Italy                        | 1.8 |
| 2  | China Mobile - Hong Kong            | 1.7 |
| 3  | Hon Hai Precision Industry - Taiwan | 1.7 |
| 4  | Esprit Holdings - Hong Kong         | 1.6 |
| 5  | Barclays - UK                       | 1.6 |
| 6  | BT Group - UK                       | 1.6 |
| 7  | Continental - Germany               | 1.6 |
| 8  | Siemens - Germany                   | 1.5 |
| 9  | ConocoPhillips - USA                | 1.5 |
| 10 | BHP Billiton - UK                   | 1.5 |

### NAV and Share Price Performance

|   | 1 year | 5 years | 10 years |
|---|--------|---------|----------|
| NAV (with borrowings at par) total return on £100 | 116    | 181     | 171      |
| Share price total return on £100                  | 118    | 189     | 191      |

Source: Fundamental Data Ltd on behalf of AIC Investment Services Ltd. £100 invested on a mid-market to mid-market basis, with dividends reinvested, before expenses are deducted. Unaudited NAV.

| Performance (Capital Return) 31 October 2006 - 31 July 2007 | (%) |
|---|-----|
| SIT NAV per ordinary unit with borrowings at par            | 6.7 |
| SIT price per ordinary unit                                 | 9.1 |
| FTSE All-World Index™                                       | 5.6 |
| FTSE UK All-Share Index™                                    | 4.7 |

### Comparative Performance on £1,000 invested 31 July 2007

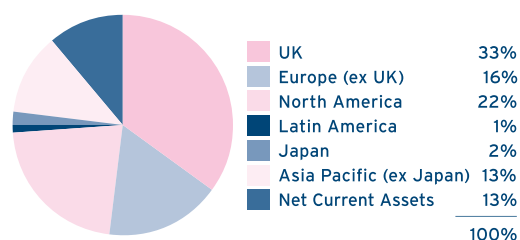
|  | 1 year | 5 years | 10 years |
|--|--------|---------|----------|
| The Scottish Investment Trust PLC <sup>1</sup> | £1,153 | £1,839  | £1,863   |
| UK Savings £25,000+ Account <sup>2</sup>       | £1,028 | £1,126  | £1,364   |
| Retail Prices Index <sup>3</sup>               | £1,038 | £1,172  | £1,309   |

Figures are calculated with net income reinvested, where applicable. The SIT figures are adjusted to allow for all expenses of investing through SIT's STOCKPLAN Investment Trust Savings Scheme.

UK Savings £25,000+ with interest reinvested net of basic rate tax. Please note that with a UK savings deposit account your capital is secure.

Sources: 1 The Scottish Investment Trust PLC 2 Source and copyright © Standard & Poor's. All rights therein are reserved 3 National Statistics

### Geographical Distribution of Total Assets



### Standardised Past Performance

| Mid price to mid price net income reinvested year to 31 July | 2003<br>% growth | 2004<br>% growth | 2005<br>% growth | 2006<br>% growth | 2007<br>% growth |
|--|------------------|------------------|------------------|------------------|------------------|
| The Scottish Investment Trust PLC                            | -3.3             | 2.0              | 39.3             | 16.0             | 18.3             |

Source: Fundamental Data Ltd on behalf of AIC Investment Services Ltd.

# THE SCOTTISH INVE

## The SIT SIPP

The SIT SIPP (Self Invested Personal Pension) can help you invest for your retirement, while taking advantage of the tax incentives currently available.

### The SIT SIPP offers:

- choice
- flexibility
- control

With The SIT SIPP, you make your own investment decisions. You choose the investments you wish to hold from the comprehensive range available, including The Scottish Investment Trust PLC. This wide choice allows you to tailor the investment combination in your pension to suit your particular needs and objectives.

The SIT SIPP offers investment choice and flexibility to help you invest for your retirement – whether you are just starting out on the pension ladder or are approaching retirement.

### Who can have a SIT SIPP?

If you are resident in the UK, Jersey, Guernsey or the Isle of Man or are a Crown employee serving overseas you can open a SIT SIPP. However you must be resident in the UK for tax purposes in order to make contributions to a SIT SIPP.

You can open a SIT SIPP regardless of your employment status or whether you are already an active member of an employer's pension scheme or are contributing to other pension plans.

### What are the tax benefits of The SIT SIPP?

As with any pension scheme registered with HM Revenue & Customs (HMRC), The SIT SIPP gives you:

- tax relief on your personal contributions up to current HMRC limits, and
- the option to take a tax-free lump sum of up to 25% of the value of your pension fund or 25% of your unused lifetime allowance (whichever is the lower) when you take your pension benefits.

### Contributions

You can make lump sum and/or regular monthly contributions, including direct contributions from your employer.

#### Minimum (gross contributions)

The minimum monthly contribution you can make is £150. The minimum lump sum contribution is £1,000.

#### Maximum (gross contributions)

The SIT SIPP accepts contributions up to the limit for tax relief. This is the higher of either the basic amount (£3,600 for the 2007/2008 tax year); or 100% of your relevant UK earnings in that tax year.

#### Basic level contributions

You can make gross contributions of up to £3,600 each tax year and receive basic-rate tax relief (currently 22%), regardless of whether you have taxable earnings.

If you are a higher-rate taxpayer you can claim further tax relief through your self-assessment tax return.

#### Larger contributions

The maximum contribution on which tax relief is available is 100% of your relevant UK earnings.

#### Pension contributions by your employer

If you are employed, your employer can also make gross contributions into your SIT SIPP.

#### Contributing for spouses, partners and children

Your spouse or partner, children or grandchildren could have a SIT SIPP and, even if they are not earning, take advantage of tax relief on contributions of up to £3,600 each tax year.

### Can I transfer existing pension benefits to The SIT SIPP?

The SIT SIPP accepts transfers in from existing UK registered pension schemes and certain investments from other self-invested personal pensions (subject to legislative and administrative restrictions).

### Investment choice

The SIT SIPP is about control and flexibility. It allows you to choose when, how much and where to invest according to your circumstances and requirements.

You can choose from a comprehensive range of investments including equities listed on the FTSE 100, 250 and FTSE All-Share, shares in Investment Trusts, units in a wide range of authorised UK Unit Trusts, shares in UK Open Ended Investment Companies (OEICs), gilts, corporate fixed and convertible bonds and Alternative Investment Market stocks (AIM).

Included in the list of allowable investments are stock units in The Scottish Investment Trust PLC (SIT). As a global growth investment trust, SIT could provide the ideal core of your pension portfolio.

## AIC Roadshows 2007

The Association of Investment Companies (AIC) has been running a number of its popular forums throughout 2007.

The forums, which are free, offer you the opportunity to learn more about investment trusts and give you the chance to meet representatives from the trusts. SIT will be present at the venue shown which will be the last one for this year. We will be happy to answer any questions you might have.

Please contact the AIC on **020 7282 5564** or email [eventsteam@theaic.co.uk](mailto:eventsteam@theaic.co.uk) to book a free place.

**Wednesday, 7 November**

**- Botley Park Hotel, Golf & Country Club, Southampton, Hampshire**

# STATEMENT TRUST PLC

## Charges

The SIT SIPP charges are transparent with the combination of a flat rate annual charge and transaction charges.

## How to apply

It's simple to apply – The SIT SIPP Application Form can be found on our website [www.sit.co.uk](http://www.sit.co.uk) together with the Key Features, Terms and Conditions and other documents.

## Further information

Full details of THE SIT SIPP can be found on our website [www.sit.co.uk](http://www.sit.co.uk)

## Risk warnings

The SIT SIPP is one of the many different pension options available to help you plan for your retirement. If you are unsure whether The SIT SIPP is a suitable pension product for you or what investments should be included in your SIPP, you should contact an appropriate independent adviser.

The value of investments and any income from them can go down as well as up and cannot be guaranteed. Past performance will not necessarily be repeated and is no guide to, nor guarantee of, future returns. This means you may not get back the amount you originally invested. Please remember that The SIT SIPP may not be able to provide you with the pension you expect at your chosen retirement date. Even when contributions are maintained, there is no guarantee that a target benefit will be met.

Investments in The SIT SIPP are offered on an execution only basis and without pensions advice. Increased investment choice brings increased complexity, and active management and investment expertise are needed for a SIPP. If you do not have the time to manage your SIPP on an active basis, or if you are not sufficiently knowledgeable to understand the risks associated with investment, you should seek assistance and advice from a suitably qualified professional.

Please remember that taxation laws and the levels of and relief from taxation may change. The favourable tax treatment of SIPPs may not continue in the future. If you are in any doubt as to your tax position, you should consult your professional adviser prior to making any decision to establish a SIPP.

## Changes to ISA investing from the 2008/09 Tax Year

ISAs were introduced in 1999, initially for a ten year period. The Government has announced that this period is to be extended indefinitely and ISAs will become a permanent feature of the savings landscape.

In his budget earlier this year, the Chancellor announced increases to the current ISA subscription limits. The overall annual investment limit will increase to £7,200 (up to £3,600 in cash and the balance, or full amount, in stocks and shares) from 6 April 2008.

The Government also announced in the 2006 Pre-Budget Report "Individual Savings Accounts: Proposed Reforms" that it intends to make significant changes to the structure of ISAs and PEPs from the 2008/2009 tax year. The changes will include:

- Existing PEP accounts will be re-designated as stocks and shares ISAs;
- The distinction between Mini and Maxi ISAs will be abolished. ISA accounts will become either "cash ISAs" or "stocks and shares ISAs";
- Transfers from the cash component of existing ISAs will be permitted into the stocks and shares component and will not count against the current year's subscription;
- Individuals will be able to subscribe to a cash ISA, a stocks and shares ISA, or both, in the same tax year;
- Money held in a child trust fund (CTF) account can be rolled over into an ISA once the child reaches 18.

## Contract notes

Those investors who currently have Contract Notes suppressed should note that, due to changes in legislation, from 1 November 2007 HSDL will no longer be able to suppress these. From this date a Contract Note will be issued every time stock is purchased.



## Key Contact Numbers

- |  |  |
|--|--|
| • Administrative and pension enquiries for The SIT SIPP<br>08457 22 55 25  | • General queries to the managers: 0131 225 7781   |
| • Administrative queries for STOCKPLAN / STOCKPLAN:<br>A Flying Start, The SIT ISA and The SIT PEP investors:<br>0845 850 0181 | • SIT email: <a href="mailto:heather@sit.co.uk">heather@sit.co.uk</a>  |
| • Administrative queries for all other SIT investors:<br>0870 703 0195   | • SIT web site: <a href="http://www.sit.co.uk">www.sit.co.uk</a>   |
|  | • 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 July 2007

- Markets fell modestly in June and July after several major equity market indices around the world had hit new all-time highs. The UK FTSE All-Share™ reached a new high for the year while the US S&P 500 Index also achieved a new closing high, surpassing its peak of March 2000.
- However, sentiment quickly turned sour over the summer as concerns over the US housing market unnerved investors. This initially hit only the developed economy markets as the Shanghai Composite Index of Chinese shares reached a new all-time high.
- The main cause of the weakness in global equity markets was the deteriorating US housing market and, in particular, the financing of sub-prime mortgages (to borrowers of lower than average creditworthiness). Credit markets initially took fright which undermined sentiment in corporate debt markets which had hitherto been buoyant. The nervousness in credit markets quickly impacted equity markets.
- Fears were compounded by further bad news from the US housing market where sales of existing homes fell by 11.4% year on year to the lowest level for 4 years.
- Over the 3 months to end July 2007, the FTSE All-World Index™ fell by 0.8% (sterling capital return) taking the 12 month capital return to 11.0%. Over the same period, the UK FTSE All-Share Index fell by 2.0%, taking its 12 month capital return to 9.5%.
- Looking first at the spread of returns by geographic region, the most striking feature was the outperformance of Latin America (+12.3%) and Asia Pacific (ex Japan) (+11.9%). These two regions have traditionally been regarded as “riskier” and yet over these subdued months, they outperformed world markets handsomely. Sterling capital returns from all other regions were negative and within a relatively narrow range: UK (-2.0%), Europe (ex UK) (-2.8%), North America (-2.7%), Japan (-0.8%) and Middle East / Africa (-4.9%).
- Looking at the spread of FTSE All-World Index returns by industry sector groupings, a picture emerges of clear outperformance by cyclical sectors. Strongest returns came from Basic Materials which rose 11.5% over the quarter, Oil & Gas (+8.9%), Industrials (+4.7%) and Technology (+3.5%) – all cyclical areas. Industry sectors which lagged included Financials (-6.4%), reflecting early signs of the pressures from the US sub-prime crisis, and Health Care (-7.8%) which suffered from being a “defensive” industry prone to poor news flow.
- Bond markets were weak over the quarter with yields rising on signs of inflationary pressures. Although bond markets rallied in July as investors sought protection in bonds, 10 year maturity yields rose over the quarter by between 0.14% - 0.20% points in the major government bond markets.
- Currency market movements were relatively muted over the period with the pound sterling firming modestly against US dollar, Japanese Yen and the Euro. Gold prices fell back slightly, down 2.4% over the 3 months. The oil price was very firm, with Brent rising 14.1% to \$77.4 per barrel, reflecting supply concerns and perceptions of sound global growth.
- It was a busy period politically, Tony Blair announced his resignation as Labour leader and Prime Minister and was replaced by Gordon Brown. In France, Nicholas Sarkozy won the presidential election by a clear margin.
- On the economic front, official interest rates were increased twice in the UK by 0.25% in May and July taking rates from 5.25% to 5.75%. The health of the economy was felt to be threatening the inflation outlook - the UK economy grew by 3% year on year for the second quarter. The ECB increased rates by 0.25% to 4.0% in July with its 8th consecutive increase since December 2005 as the European economy continued to show encouraging signs of revival. Elsewhere, data from China indicated that it continues to grow fast, rising 11.9% year on year for the second quarter. In the US, interest rates were unchanged and data releases showed that the US economy had slowed to an annual rate of 0.6% pa for the first quarter, the slowest rate of growth since 2002. Japan’s economy seems unable to escape deflation and is failing to pick up speed.
- At the end of June, the UK was again subject to terrorist attacks, this time through the use of vehicle-borne explosives.
- Merger and acquisition activity continued at a frenetic pace with corporate and private equity buyers active across almost all sectors. Perhaps the most significant transaction, which is still ongoing at the quarter end, is the tussle for Dutch bank ABN involving Barclays and a consortium of banks led by RBS.

## MakeContact phone fax email web

### For further information please:

Telephone us on **0800 42 44 22**

Fax us on **0131 226 3663**

Email us at: **heather@sit.co.uk**

Visit our website at: **www.sit.co.uk**

### Or write to:

SIT Savings Ltd, FREEPOST EH882,  
6 Albyn Place, Edinburgh EH2 0BR

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

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

## SIT FactFile

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

Past performance will not necessarily be repeated and is no guide for, or guarantee of, future returns. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested. SIT has a long term policy of borrowing money to invest in equities in the expectation that this will improve returns for stockholders. However, if markets fall, these borrowings will magnify any losses. Investment in SIT is intended as a long term investment. SIT Savings Ltd, a wholly owned subsidiary of The Scottish Investment Trust PLC, is the plan manager of STOCKPLAN, STOCKPLAN: A Flying Start, The SIT ISA and The SIT PEP and is authorised and regulated by the Financial Services Authority.

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