

# 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.

<b>Performance</b> (Capital return) 31 October 2006 - 31 January 2007 (%)	
<b>SIT NAV per ordinary unit with borrowings at par*</b>	<b>3.5</b>
<b>SIT price per ordinary unit</b>	<b>3.3</b>
<b>FTSE All-World Index™</b>	<b>3.2</b>
<b>FTSE UK All-Share Index™</b>	<b>2.3</b>

\*Based on NAV after deducting dividends proposed but not paid

<b>AIC Category</b>	Global Growth
<b>Total Assets</b> less current liabilities	£853 million
<b>Discount to NAV</b> (after deducting dividends proposed but not paid with borrowings at market value)	9.6%
<b>Equity Gearing</b> (after deducting dividends proposed but not paid with borrowings at par)	10.4%

### NAV and Share Price Performance

NAV (with borrowings at market value) - 515.4p	Share price - 466.0p		
	1 year	5 years	10 years
NAV (with borrowings at par) total return on £100	111	136	182
Share price total return on £100	110	138	201

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

### Comparative Performance on £1,000 invested

	1 year	5 years	10 years
<b>The Scottish Investment Trust PLC<sup>1</sup></b>	<b>£1,071</b>	<b>£1,348</b>	<b>£1,960</b>
UK Savings £25,000+ Account <sup>2</sup>	£1,025	£1,122	£1,371
Retail Prices Index <sup>3</sup>	£1,042	£1,163	£1,306

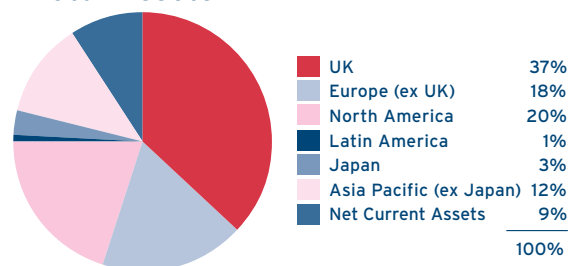
Figures are calculated with net income reinvested, where applicable. The SIT figures are adjusted to allow for all expenses of investing through SIT's STOCKPLAN Investment Trust Savings Scheme.  
 UK Savings £25,000+ with interest reinvested net of basic rate tax. Please note that with a UK savings deposit 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

### Top 20 Holdings

as % of total assets

1	Barclays - UK	3.1
2	Unicredit - Italy	1.7
3	BNP Paribas - France	1.7
4	Vivendi - France	1.7
5	ScottishPower - UK	1.6
6	Serco - UK	1.6
7	Amgen - USA	1.6
8	Informa - UK	1.6
9	BT Group - UK	1.6
10	Wyeth - USA	1.5
11	Hon Hai Precision - Taiwan	1.5
12	Persimmon - UK	1.5
13	Lloyds TSB - UK	1.5
14	Royal Bank of Scotland - UK	1.5
15	Tesco - UK	1.3
16	Siemens - Germany	1.3
17	AstraZeneca - UK	1.2
18	Swire Pacific - Hong Kong	1.1
19	Legal & General - UK	1.1
20	Fiat - Italy	1.1

### Geographical Distribution of Total Assets



### Standardised Past Performance

Mid price to mid price net income reinvested year to 31 January	2003 % growth	2004 % growth	2005 % growth	2006 % growth	2007 % growth
<b>The Scottish Investment Trust PLC<sup>†</sup></b>	<b>-38.2</b>	<b>23.0</b>	<b>21.4</b>	<b>36.4</b>	<b>9.9</b>

Source: † Fundamental Data for the AIC. All rights therein are reserved.

Past performance should not be seen as an indication of 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 and investors may not get back the amount originally invested.

Please note this newsletter is sent to all investors. If you have more than one investment type 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.

All sources SIT unless otherwise stated

# THE SCOTTISH INVE

## SIPP

SIT Savings is planning to add a SIPP to its range of investment products.

### What is a SIPP?

A SIPP (a self invested personal pension) is a type of personal pension scheme that offers greater investment choice than that offered by conventional personal pensions while taking advantage of the tax incentives afforded to pensions. The investment range usually includes investment into stocks and shares, investment trusts, unit trust, OEICs, bonds, gilts and AIM stocks. You, as the investor, choose what goes into the scheme and have control over how the investment mix within your pension is made up.

You can contribute to a SIPP even if you are already an active member of an employer's pension scheme or are contributing to other pension plans.

### The SIT SIPP

The SIT SIPP could help you invest for your retirement while benefiting from the tax incentives currently available. Most people who live in the UK are eligible for a SIPP. This means that your spouse or partner, children or grandchildren could also have a SIT SIPP and take advantage of tax relief on contributions of up to £3,600 each tax year, regardless of whether they are earning or not.

The SIT SIPP will be about choice, flexibility and control.

### Choice

With The SIT SIPP, you will be able to make your own investment decisions. You choose the investments you wish to hold from a comprehensive range, including stock units in The Scottish Investment Trust PLC. The wide choice of investment opportunities will allow you to tailor the investment combination in your pension to suit your needs and objectives.

### Flexibility

The SIT SIPP will allow monthly or lump sum contributions. You will be able to invest monthly or on a one-off basis through the planned investment option or invest using real-time dealing. You will also be able to use a combination of these options. You will be able to stop and restart contributing or investing at any time without being penalised.

SIPPs provide flexibility in how you choose to receive your pension benefits. You can take your pension by way of income withdrawal without having to buy an annuity. This means that, if you so wish, you can continue to invest your pension fund in a tax-efficient manner beyond your retirement.

### Control

The SIT SIPP will put you in control of how you withdraw income from your SIPP, providing flexibility as to the amount of pension you receive each year, subject to the minimum and maximum limits set by HM Revenue & Customs. This can help you to tailor your income withdrawal to suit your needs.

Your circumstances, career and priorities change throughout your life – and so do your investment objectives. The flexibility and control provided by The SIT SIPP can help you customise your pension investments quickly and effectively in response to these different requirements.

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

For further information on this new product when it is available please visit our website [www.sit.co.uk](http://www.sit.co.uk) or phone us on 0131 225 7781.

## AIC roadshows

The Association of Investment Companies (AIC) is 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 venues shown below. 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.

<b>Wednesday 6 June</b>	-	<b>Dunblane Hydro, Dunblane, Perthshire</b>
<b>Wednesday 19 Sept</b>	-	<b>Ascot Racecourse, Berkshire</b>
<b>Wednesday 7 Nov</b>	-	<b>De Vere Grand Harbour Hotel, Southampton</b>

# STATEMENT TRUST PLC

## ISAs

### Proposed changes to ISAs

In his pre-budget report in November 2006, the Chancellor proposed various changes to the structure of ISAs to take effect some time after the tax year 2006/07. We will keep SIT investors informed as to these changes when they are confirmed.

### ISA deadline

Please note that the deadline for the receipt of ISA applications or top ups for the current tax year is **12 noon, 5 April 2007** at our ISA administrator, Halifax Share Dealing Ltd (HSDL), at the address below.

SIT ISA investors who have contributed to their ISA in this or the previous tax year and who are not changing their ISA type (for example not changing a Mini ISA into a Maxi, or vice versa) can invest or top up by telephoning HSDL on **0845 850 0181** to make a lump sum investment using their debit card. Alternatively they may do so by writing to HSDL quoting their SIT ISA Account Code and enclosing a personal cheque drawn on their own bank account, made payable to The SIT ISA.

If you do not yet have an ISA but wish to start one, or if you have not contributed to your ISA for a couple of years but would like to do so now, you will need to fill in an application form to send with your contribution. SIT ISA application forms can be downloaded from our website [www.sit.co.uk](http://www.sit.co.uk) Alternatively you can phone our brochure request line on **0800 42 44 22**.

The SIT ISA  
Halifax Share Dealing Ltd  
Trinity Road  
Halifax  
West Yorkshire  
HX1 2RG.

## Case Studies - Prize Draw

Congratulations to Mr Barry Taylor-Gregson of Walton-on-Thames who was our prize draw winner.

## STOCKPLAN / STOCKPLAN: A Flying Start online

Along with ISA and PEP investors, once their account is active STOCKPLAN investors and STOCKPLAN: A Flying Start designated scheme (but not bare trust) investors are now able to view their account online by registering with Halifax online. This can be accessed through the links in the STOCKPLAN section of our website, [www.sit.co.uk](http://www.sit.co.uk) or by visiting [www.halifax.co.uk/online](http://www.halifax.co.uk/online)

Please note, you will need your Share Dealing Personal Reference Number (PRN) to access this service.

If you do not have a PRN, please contact the STOCKPLAN administrator, Halifax Share Dealing Ltd, on **0845 850 0181**.



## Key Contact Numbers

• Administrative queries for STOCKPLAN / STOCKPLAN:  
A Flying Start, The SIT ISA and The SIT PEP investors:  
**0845 850 0181**

• Administrative queries for all other SIT investors:  
**0870 703 0195**

• General queries to the managers: **0131 225 7781**

• SIT email: **[heather@sit.co.uk](mailto:heather@sit.co.uk)**

• SIT web site: **[www.sit.co.uk](http://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 - first quarter to 31 January 2007

- Over the quarter to 31 January 2007, the FTSE All-World Index™ rose by 3.2% in sterling terms (+3.6% sterling total return).
- Regional variations were much more pronounced than industrial sector returns. Initial market weakness in November was overcome by a spate of mergers and acquisitions (M&A) – including one 24-hour spell in which deals totalled \$75bn – facilitated by the availability of low-cost debt.
- Markets subsequently regained their upward momentum and continued the recovery from the setback of April - June 2006. The global index is again nudging 12-month highs and although markets are some way off the peak of 2000, this bull market now stretches back almost four years to the first quarter of 2003.
- The UK FTSE All-Share Index™ rose 2.3% over the quarter (+2.8% in total returns). The FTSE 100 Large Cap index rose by only 1.2% however, with much stronger returns from medium and smaller companies – again reflecting ongoing M&A activity.
- Over the quarter, strongest regional returns came from emerging markets as investors' recovered an appetite for risky assets. Latin America rose 11.1% and Middle East & Africa by 11.0%. Among the more developed regional markets, Asia Pacific (ex Japan) rose by 7.0% and Europe (ex UK) rose by 5.8%.
- The US and Japan stock markets rose by 4.6% and 6.6% respectively in local terms only for currency weakness to pare back sterling returns to 1.9% and 0.6% respectively.
- Sector returns were relatively concentrated with a slight leadership shown by the recovering telecoms sector (+6.5%). The laggard sectors were Oil & Gas (-0.5%), reflecting declining oil prices, and Healthcare (+0.1%) which is suffering from some company specific issues and US political fears.
- On the currency front, sterling remained firm against each of the other majors. The yen slipped further against the US dollar – the significance of which was magnified by the existence of the “yen carry trade” whereby investors are borrowing in low cost yen to invest in higher yielding assets.
- Oil prices rose by 1.3% over the quarter and gold remained firm, rising 9.2%.
- The US economy continues to show signs of re-acceleration. Interest rates have been on hold for some time now in the US and there appears to be no likelihood of an imminent cut from 5.25% given the economic news.
- Europe continues to recover economic momentum with Germany's export sectors doing well. Business confidence and other indicators such as the IFO survey reaffirmed this picture.
- The UK economy has expanded steadily for the last four quarters. Base rates were increased twice during the quarter – by 0.25% in both November and January, taking interest rates to 5.25% as CPI inflation rose to a 10 year high at 3.0% (year-on-year) in December.
- In the Pacific region, the domestic Chinese stockmarket rose by more than 50%, with locals regaining confidence and a raft of new and secondary share issues occurring.
- New economic data from China and India confirmed continuing strong growth, although consumer price inflation is also rising in both countries. In Japan, economic data remained sluggish, although the weakening yen is helpful to exporters.

## 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 OBR

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

- 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.

All sources SIT unless otherwise stated. This document is for information only and does not constitute investment advice.

 The Scottish  
Investment Trust PLC