

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	£659 million
Cum-Income NAV with borrowings at par	428.1p
Cum-Income NAV with borrowings at market value	423.3p
Ex-Income NAV with borrowings at par	424.1p
Ex-Income NAV with borrowings at market value	419.2p
Stock price	385.8p
Discount to ex-income NAV with borrowings at market value	8.0%
Effective gearing	109%

NAV and Stock Price Performance (Total return on £100)	1 year			5 years			10 years		
	1 year	5 years	10 years	1 year	5 years	10 years	1 year	5 years	10 years
Ex- Income NAV with borrowings at par	88	142	113	88	142	113	88	142	113
Stock price	86	158	122	86	158	122	86	158	122

£100 invested with dividends reinvested, before expenses are deducted.

Performance 31 October 2008 - 31 July 2009 (%)	(%)
Ex-income NAV with borrowings at market value	4.2
Ex-income NAV with borrowings at par	6.3
Stock price	3.7
FTSE All-World Index™	10.7
UK FTSE All-Share Index™	7.8

Comparative Performance on £1,000 invested	1 year	5 years	10 years
The Scottish Investment Trust PLC	£840	£1,537	£1,190
UK Savings £25,000+ Account ¹	£1,012	£1,127	£1,293
Retail Prices Index ²	£986	£1,142	£1,293

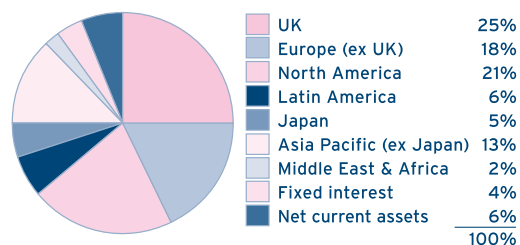
Figures are calculated with net income reinvested, where applicable. The SIT figures are adjusted to allow for all expenses of investing through SIT's STOCKPLAN Investment Trust Savings Scheme. UK Savings £25,000+ with interest reinvested net of basic rate tax. Please note that with a UK savings deposit account your capital is secure. Sources: 1 Source and copyright © Standard & Poor's. All rights therein are reserved 2 National Statistics

Top 10 Holdings

as % of total assets

1	HSBC - UK	2.2
2	Royal Dutch Shell - UK	2.1
3	BP - UK	2.0
4	BBVA - Spain	1.9
5	América Móvil - Mexico	1.8
6	Petrobras - Brazil	1.7
7	BHP Billiton - UK	1.7
8	McGraw-Hill - US	1.6
9	National Oilwell Varco - US	1.6
10	ICBC - China	1.5

Geographical Distribution of Total Assets



Standardised Past Performance

Last price to last price net income reinvested % growth year to 31 July	2005	2006	2007	2008	2009
The Scottish Investment Trust	39.3	16.0	18.3	-4.7	-13.6

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. 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.

The reference gilt is the 6% Treasury Stock 2028. 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 sources SIT unless otherwise stated. Industry Classification Benchmark (ICB): Source and copyright © FTSE International Limited and Dow Jones & Company, Inc. All rights therein reserved.

THE SCOTTISH INVE

Changes to ISA contribution limits

Earlier in the year, the Chancellor announced changes to the contribution limits of Individual Savings Accounts (ISAs).

From 6 October 2009, the ISA subscription limit will increase to £10,200 for anyone eligible to invest in an ISA who was born on or before 5 April 1960 (i.e. who will be aged 50 or over during the current tax year). Up to £5,100 of the new ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider. Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

These higher limits will apply to all eligible ISA investors with effect from 6 April 2010.

This means that if you will be 50 years old or over by 5 April 2010, even if you have already contributed the current limit of £7,200 into your SIT ISA, from 6 October 2009 onwards you will be able to top up your ISA to the new limit of £10,200.

The SIT ISA is a stocks and shares ISA and can accept the inward transfer of other stocks and shares ISAs. It can also accept the inward transfer of cash ISAs. Once transferred into The SIT ISA, a cash ISA becomes a stocks and shares ISA. Please bear in mind that you cannot have more than one cash ISA or more than one stocks and shares ISA in the same tax year – to do so breaches HM Revenue & Customs ISA regulations.

If you have contributed to your SIT ISA in this or the previous tax year, you can invest or top-up by telephoning The SIT ISA Administrator, Halifax Share Dealing Ltd (HSDL), on 0845 850 0181 to make a lump sum investment using your debit card. Alternatively you can write to HSDL, quoting your SIT ISA Account Code and enclosing a personal cheque, drawn on your own bank account, made payable to **The SIT ISA**.

If you do not yet have an ISA but wish to open 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 - alternatively you can phone the brochure request line on 0800 42 44 22.

New SIT Director - Mr Russell Napier

The Scottish Investment Trust PLC is pleased to announce that Mr Russell Napier has been appointed as a non-executive director of the company with effect from 24 July 2009.

Russell Napier is a consultant global macro strategist with CLSA Asia-Pacific Markets, writing on issues impacting global equity markets.

He began his investment career as an investment manager at Baillie Gifford managing funds in the Japanese, the US and then the South East Asian markets before moving to Foreign and Colonial Emerging Markets where he was responsible for managing Asian portfolios.

In 1995 he became Asian equity strategist for stockbrokers CLSA in Hong Kong where he remained until 1999. Since then he has created a new course in investment called A Practical History of Financial Markets which forms part of the MBA programme at the Edinburgh Business School.

In 2000 Russell, in conjunction with CLSA Asia-Pacific Markets, formed a charity to provide scholarships for students taking the MSc in Investment Analysis at The University of Stirling. He is a trustee of the charity.

He is a member of the investment advisory committee of The Endowment Fund managed by Cerno Capital Partners (a wealth management company). In 2008 he became a limited partner of Cerno Capital and is a member of the investment advisory committee to Cerno's investment management team. He is also a member of the investment committee for the National Trust for Scotland.

Russell's first book, *Anatomy of a Bear - Lessons from Wall Street's Four Great Bottoms*, was named as an investment read of the year in 2006 in the Financial Times. The second edition was published in 2007 and has been one of the top two selling finance books on Amazon US and Amazon UK.

Brazil - June 2009

A recent visit by a SIT investment manager to Sao Paulo, Brazil, provided a good opportunity to assess first-hand a broad swathe of the Brazilian market.

Background

Brazil is one of the constituents of the so-called "BRIC" (Brazil, Russia, India and China) set of emerging powerhouse economies. Brazil has a population bordering on 200 million, most of whom live on the country's eastern coast. The 8.5 million square kilometres landmass is not far short of that of the US and gives rise to some operational challenges for the country's utility and transport operators. With some 50 million households, Brazil has a fairly youthful population with around 28% aged 15 or under. However, Brazil is still a poor country with a GDP per capita of one fifth that of the US.

Past performance may not be repeated and is no indicator 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 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. 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 advice.

STATEMENT TRUST PLC

Political

The current government, under the president, Luiz Inácio Lula da Silva, has been successful in achieving a good level of macroeconomic stability while increasing social spending.

The Lula government has maintained conservative fiscal and monetary policies and improved public finances while simultaneously promoting some poverty-alleviation programmes. The success of Lula's plan to raise annual average real GDP growth to 5% (mainly through higher infrastructure investment) will depend on progress in reforms, including fixing the complex tax system, strengthening the somewhat unpredictable regulatory framework and tackling labour market anomalies.

Economy

The economy has proved to be more resilient than expected – especially the consumer sector. Employment levels have held up well and the combination of government subsidies for cars and white goods combined with falling interest rates has allowed consumption to resume.

Robust external demand and a constructive export policy have allowed export earnings to grow strongly in recent years, leading to a substantial trade surplus.

Growth in 2009 is expected to be modestly negative at around -1.0% and recent GDP releases provided grounds for optimism that Brazil's economy will only see a relatively shallow recession compared to more developed regions. Current expectations imply growth of around 4% in 2010.

As inflation has fallen in recent years, domestic interest rates have also declined and are now in high single-digits and at new lows in real (inflation-adjusted) terms.

Stockmarket

Fund flows have picked up in recent months as investors have opted for a slightly more certain growth outlook in a market relatively free of "toxic" assets in the financial sector. Foreign funds flows have been a major driver of performance. Led by the energy and mining giants, Petrobras and Vale, Brazil's stockmarket has been a strong performer.

A brief overview of key industrial sectors

Financials

Brazilian banks are seeing some pressure from tightening spreads as domestic interest rates come down. Bad loans are stabilising and the banks are relatively un-exposed to toxic property-related assets. Credit card penetration is growing rapidly.

Construction and real estate

A major opportunity exists in the government's housing development package, *Minha Casa Minha Vida*, which aims to address the severe housing shortage by building up to 1 million housing units for low-income families. The listed house-builders appear well placed to take advantage of this low-end market growth.

Retail

With credit having reached 42% of GDP, credit levels are becoming more stretched. Retail malls were similar to those in any developed economy and were very busy. The Brazilian market offers a number of potentially interesting retail names.

Telecoms

The telecoms sector is struggling to achieve satisfactory levels of profitability particularly in the mobile sector.

Oil & Gas

State majority-owned integrated oil and gas giant Petrobras is the largest company in Latin America. Its impressive oil reserve assets will be supplemented by recent substantial discoveries such as the Tupi oilfield.

Metals and Mining

Brazil is well endowed with mineral resources and Vale is the world's second-largest diversified miner, the largest exporter of iron ore and the second-largest nickel supplier. It also mines and produces copper, cobalt, manganese and coal.

Current SIT Brazil holdings

- Vale (Mining & Metals)
- Petrobras (Oil & Gas)
- Rossi Residencial (Housebuilding)
- Companhia de Concessões Rodoviárias (Support Services).



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 July 2009

- Over the period, global equity markets made further, if uneven, progress from the lows of mid-March 2009. The global FTSE All-World Index™ rose by 5.9% in sterling terms as investors reacted to the probable avoidance of an economic depression. After a bright opening to the quarter, global equity markets fell sharply. All of the gains were made in the last three weeks through the strong rally from mid-July.
- As markets staged a recovery, sterling also rebounded after a spell of prolonged weakness with gains over the quarter of 12% against the dollar, 8% against the yen and 5% against the euro. Just as sterling weakness had protected sterling-based international investors during the bear market, the effect reversed itself as sterling rallied so reducing the All-World Index's local currency gain of 13.8% to just 5.9%.
- Looking at returns from around the world by region highlights the impact of sterling appreciation. Most regions rose by around 12-14%, in local terms, except for Asia Pacific (ex Japan) which rose 23.8% and the UK (+8.7%). However, after conversion into sterling, it was only the emerging market regions which rose over 10%. The strongest sterling returns came from Asia Pacific (ex Japan) (+15.6%) as the stock markets of Hong Kong, China, Indonesia and Singapore powered ahead on signs of renewed growth in China. India rallied sharply following election results. Latin America rose by 14.3% and Middle East & Africa by 10.2% as investors re-embraced risk. Of the more developed areas, the UK fared best (+8.7%) as Europe (ex UK), North America and Japan saw good local currency gains reduced in sterling terms to 6.9%, 2.0% and 4.5% respectively.
- Industry sector out-performance was concentrated in three major groups with the other seven underperforming the All-World Index. Strongest areas by far were recent laggards Basic Materials and Financials. Basic Materials rose 14.0% in response to anticipated demand from a re-accelerating China while Financials recovered further from the sub-prime crisis with a gain of 12.3%. Consumer Goods also outperformed with Tobacco and Food Producers doing well. However, defensive areas lagged generally with subdued performances from Telecommunications and Utilities although the more economically sensitive Consumer Services industry produced the worst returns (-1.4%). Oil & Gas sector returns were surprisingly poor (+1.3%) given the 41% rally in the oil price over the quarter to \$70.3 per barrel (Brent).
- Major government bond markets fell back modestly as the general tone of economic indicators improved. While official short-term interest rates in major developed economies were generally kept on hold at very low levels and only the ECB among the major central banks lowered rates, alternative stimulus was provided in the form of quantitative easing policy measures. While policy stimulus is likely to remain in place for some time, US Fed chairman Bernanke discussed exit strategies for the withdrawal of stimulus measures.
- Economic data from around the world was generally poor but improved over the quarter, signalling that the rate of economic decline was easing. US and Chinese GDP releases beat expectations with the extent of the Chinese stimulus evident in strong bank lending, some of which may well have fuelled the regional rally. Housing markets on both sides of the Atlantic also showed some signs of amelioration. Global investors faced sizeable cash calls from companies rebuilding balance sheets while investor flows were further reduced by more dividend cuts. More positively, analyst forecasts of corporate profits improved sharply over the quarter with added impetus for upgrades stemming from a surprisingly strong earnings reporting season in the US.

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
- Annual and Interim Reports

