THE SCOTTISH
Investment Trust

THE SCOTTISH INVESTMENT TRUST PLC INTERIM REPORT & ACCOUNTS

30 APRIL 2019

Objective of The Scottish Investment Trust PLC

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.

Our High Conviction, Global Contrarian Investment Approach

We are contrarian investors.

We believe markets are driven by cycles of emotion rather than dispassionate calculation. This creates profitable investment opportunities.

We take a different view from the crowd. We seek undervalued, unfashionable companies that are ripe for improvement. We are prepared to be patient.

We back our judgement and run a portfolio of our best ideas, selected on a global basis.

Our portfolio is unlike any benchmark or index and we fully expect to have differentiated performance.

Our approach will not always be in fashion but we believe it delivers above-average returns over the longer term, by which we mean at least five years.

Cover painting:
Sand and Shallows, the Bay at the Back of the Ocean, Iona by Sarah Carrington

Contents

Chairman's Statement

Performance

In the six months to 30 April 2019, the share price total return was -0.5% and the net asset value per share (NAV) total return (with borrowings at market value) was -0.1%.

The Company does not have a formal benchmark but, by way of comparison, the sterling total return of the international MSCI All Country World Index (ACWI) was +7.2% while the UK based MSCI UK All Cap Index total return was +6.0%.

This period proved a less fruitful time for contrarian investors. Our contrarian approach seeks to find an appropriate balance between risk and reward in all our investments, rather than attempt to ride every wave of investment fashion. The Manager believes a prolonged period of excessively cheap money has, once again, encouraged an increasingly reckless attitude to financial risk. This means that insufficient regard is paid to the cyclicality and valuation of earnings from certain companies that are, currently, perceived as immune to the fluctuations of the economic cycle. This enthusiasm is most ardent for 'disruptive' technology companies which the Manager sees as most exposed to share price declines when passions cool. Accordingly, these companies are excluded from our portfolio by choice, despite in many cases their large size, as we see greater opportunity in less fashionable areas of the market.

Given our contrarian approach, and as noted in previous communications, we do not expect the Company's portfolio to match any particular index return over any defined period due to the nature of the portfolio's composition. Our approach aims to achieve above-average returns over the longer term by which we mean at least five years.

Our goal

I have previously discussed our goal to build an attractive and differentiated investment vehicle for the long term investor.

We understand that passive products will form a part of many investors' portfolios, but we believe that an important role remains for a genuinely active and clearly articulated approach. Passive products, by their nature, take no account of future prospects or valuations and we believe that it is a source of reassurance to investors that, in contrast, we have an investment team seeking stocks that are undervalued and have improving prospects.

A by-product of consistently applying this approach in search of long term gains is that we inevitably endure some periods when performance compares less favourably.

The contrarian approach has allowed the Company to deliver a step change increase in the regular dividend in recent years and we aim to grow this dividend ahead of UK inflation. The Scottish is one of the highest yielding trusts in its peer group and is recognised as a 'Dividend Hero' by the AIC. The dividend is backed by strong revenue reserves which can help sustain our long track record of dividend increases into the future.

We believe that our contrarian investment philosophy provides a solid and prudent discipline with which to deliver capital appreciation and strong dividend income for our shareholders over the longer term.

The many positive attributes of the Company are increasingly recognised by our investors, and by others within the industry, and it is our aim to build upon the hard work behind this. Being named 'Best Investment Trust' at the Shares Awards during the period was testament to our strong progress.

We want to bring our contrarian message to as many investors as possible. There is now a wealth of interesting and insightful content on the Company's website and shared on social media. Most recently, a 'Learning hub' section was added to the website which aims to provide a valuable source of informative educational content for investors. Pleasingly, we have been nominated in four categories at the forthcoming Investment Marketing and Innovation Awards. I would encourage those of you who have not already done so to follow us on social media, where you can find the most up-to-date news and articles from The Scottish.

Dividend

The Board announces a second quarterly dividend of 5.3p. This is in line with the target to declare three quarterly interim dividends of 5.3p in the year to 31 October 2019 and to recommend a final dividend of at least 5.3p for approval by shareholders at the Annual General Meeting in 2020. The first quarterly dividend payment, in respect of 2019, of 5.3p was made in May 2019. The Board's desire is to continue the long track record of annual dividend increases in accordance with the Company's objective to provide dividend growth ahead of UK inflation over the longer term.

Chairman's Statement (continued)

Discount and share buybacks

The Company follows a policy that aims, in normal market conditions, to maintain the discount to NAV (with borrowings at market value) at or below 9%. The average discount over the first half of the year was 8.8%.

During the period, 0.9m shares were purchased for cancellation at an average discount of 9.5% and a cost of £7.5m. In the same period last year 0.9m shares were purchased.

Gearing

Having started the year with gearing of 0%, the level was slightly increased to 2% by the end of the period. It is our expectation that gearing will be deployed for the long term benefit of shareholders at the appropriate time.

Outlook

The tentative steps taken by the US Federal Reserve to normalise monetary policy suffered a partial reversal during the period as a programme of interest rate increases has been put on hold. The change in course was prompted by the combination of a sharp, but short-lived, market decline and a series of characteristically pugilistic tweets from President Trump.

It is clearly no easy matter to unwind this era of cheap money as too many asset prices are now apparently supported by low interest rates. This is unfortunate because high asset prices and low interest rates have brought unintended consequences. The most notable of these is an increasing sense of disillusionment with the economic system among many people, particularly the younger generation.

The economic pendulum appears to have swung too far and the counter-swing is more likely to be prompted by events within the political arena. A new breed of politician has tapped into feelings of economic marginalisation and there is a greater willingness to rip up the rule books and question the current state of capitalism. At a minimum, it seems likely that support for the free-spending politician will continue to grow.

The outlook for the global economy has deteriorated since my last commentary although, as yet, not drastically so. The recent escalation of the dispute between China and the US arguably extends beyond trade and could augur a multi-faceted deterioration in the relationship between these two countries with potentially profound implications for investors. The increased tension between the US and Iran risks a disruption to the oil market and has prompted a potentially damaging split between the US and the EU.

An abundance of commentary exists on Brexit and I would simply add that UK assets appear unloved in an international context and we continue to expect the value of sterling to act as a proxy for the state of negotiations.

Although I have spent the last few paragraphs outlining risks, our portfolio consists of investments which we believe are both undervalued and unreasonably out of favour. The long term merits of our investments give us confidence that our portfolio is well placed for the evolving investment environment.

We continue to concentrate on firmly establishing the Company as a differentiated, cost competitive, and attractive investment vehicle focused on delivering above-average returns and dividend growth over the longer term.

James Will

James Will
Chairman
14 June 2019

Board of Directors

James Will

Appointed to the Board in May 2013 and became Chairman in January 2016. Chair of the Nomination Committee.

He is a former Chairman of law firm Shepherd and Wedderburn LLP where he was a senior corporate partner, heading its financial sector practice. He has experience of working with companies in a wide range of industry sectors including financial services, technology, energy and life sciences.

Other investment company directorships: Herald Investment Trust and Edinburgh Dragon Trust.

Shares held: 10,000* **Fees:** £60,000

Russell Napier

Appointed to the Board in July 2009.

He runs a course in financial history at the University of Edinburgh Business School and is the author of the book "Anatomy of the Bear: Lessons from Wall Street's Four Great Bottoms". He has been providing investment advice to financial institutions for more than 20 years both as a stockbroker and latterly as an independent analyst.

Other investment company directorship: Mid Wynd International Investment Trust.

Shares held: 14,000 **Fees:** £32,500

Jane Lewis

Appointed to the Board in December 2015. Chair of the Remuneration Committee.

She is an investment trust specialist who, until August 2013, was a director of corporate finance and broking at Winterflood Investment Trusts. Prior to this, she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.

Other investment company directorships: BlackRock World Mining Trust, BMO Capital and Income Investment Trust, Invesco Perpetual UK Smaller Companies Investment Trust (Chair) and Majedie Investments.

Shares held: 1,000 **Fees:** £32,500

Mick Brewis

Appointed to the Board in December 2015.

He was an investment manager at Baillie Gifford, retiring in April 2014 after 29 years at the firm, 21 of them as a partner. He was a stockpicker throughout his time there, responsible for managing UK equity portfolios before heading the North American equities team from 1995 onwards. His broad investment experience includes managing investment teams and research groups, global asset allocation, working with clients (including investment trusts), marketing, graduate recruitment and investor development.

Other investment company directorships: None.

Shares held: 10,000 **Fees:** £32,500

Karyn Lamont

Appointed to the Board in October 2017. Chair of the Audit Committee.

She is a chartered accountant and former audit partner at PwC. She has over 25 years of experience and provided audit and other services to a range of clients across the UK's financial services sector including a number of investment trusts. Her specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance.

Other investment company directorships: The North American Income Trust and The Scottish American Investment Company.

Shares held: 2,500 **Fees:** £37,500

*On 3 May 2019, 2,000 shares were transferred to Mr Will for nil consideration following the conclusion of matters in relation to an Executry and Trust in which Mr Will was involved. As a result, Mr Will's shareholding increased from 8,000 to 10,000 shares.

Manager's Review

When I look back, the final phases of the dotcom bubble of 1999/2000 and, separately, the financial bubble which peaked in 2007/8 were, unquestionably, the most educational periods of my career.

Both periods had very different characteristics from which specific lessons could be drawn. For example, the dotcom era taught that while investors can get very excited about a concept, a good story is not enough when confidence evaporates. Meanwhile the financial crisis demonstrated how superficial 'sustainable' profits could be. In the run up to that crisis, banks were involved in a virtuous circle of highly profitable lending, based on rising asset prices which formed the collateral for further lending, higher asset prices and, in turn, produced more 'sustainable' profit. This process lasted until the cycle turned vicious.

But the wider lessons I drew from these bubbles were not so much the specifics, for these will always be different the next time. Instead, the most interesting lessons were derived from how people behaved and the conclusions they drew as the bubble neared bursting point. It would appear that human nature doesn't change which is perhaps why financial markets have always been plagued by booms and busts.

Almost 20 years ago, the market had an insatiable demand for stocks that would give investors exposure to the internet. Indeed, companies that merely added '.com' to their name would see a positive price reaction. Noticing this, entrepreneurs and stock promoters began to rush new companies for 'beauty parades' with the intention to raise enough cash to justify a flotation.

As the callow junior analyst (this was before my time at The Scottish), I was frequently despatched to meet some of these potential newcomers. In my keenness, I went armed with questions, but it quickly became obvious that questions were neither wanted nor required. These 'internet incubators' did not really have credible plans, the founders became indignant when quizzed and there wasn't really anything of value other than the prospective cash that would be raised. The main selling point was instead the dangled prospect of a substantial return to someone who backed the flotation as the share price was expected to spike higher (or 'pop') on the first day of dealings and would trade on a 'multiple of cash' (a valuation metric a bit like someone offering to value your bank balance at a multiple of what it actually is).

Now, if this sounds crazy, it's because it was. But, shares in these companies sold like hot cakes. No doubt, some investors did believe in the long term merits of these companies but the majority were merely confident that there was somebody behind them willing to pay more. Investors were able to successfully 'flip' several of these new businesses but, when the music stopped, the loss from a single flop more than offset the gains on the winners for many.

The reason I have dredged this anecdote from the depths of my memory is because conditions today make me draw parallels with that time. Today the buzzword is 'disruption', with an enthusiasm for privately held start-up companies valued at more than $1bn – known as 'unicorns' – that will achieve 'profitability at scale.' Perhaps some will, but many unicorns seem to have business models that rely on constant injections of cash which have been facilitated by an easy money environment and a high level of confidence in their long term story.

Recently, there has been a rush to bring some of these companies to market, perhaps because the backers wish to exit while the going is still good. Watching one of the well-known business channels, I was surprised to see the guests discussing not the prospects of a grossly unprofitable business but instead the 'pop' in the share price that the investment bank would engineer on the first day of trading (ominously, the share price instead flopped).

All-in-all, it is hard not to see these unicorn flotations as the apex of a renewed case of unbridled enthusiasm for all things technology. While we have nothing invested directly in this area, the fact that this mentality exists and covers a large part of the market is a cause for concern.

In recent months, President Trump seems to have interpreted market levels as a real-time opinion poll on the competence of his administration. It's easy to see where he is coming from - after all the mantra of President Clinton's original campaign was 'it's the economy, stupid.'

The trouble is that overall market levels generally do not reflect the current fortunes of the economy. Market levels, in fact, better reflect the degree of confidence in the aforementioned 'disruption' bubble.

As we expect this bubble to deflate, we think it is highly likely that President Trump's vociferous campaign for the US Federal Reserve to cut interest rates and print more money will ultimately prove successful.

We expect our gold miners to be one of the principal beneficiaries of this shift in monetary policy. Whereas the value of paper currency is eroded by the unrestrained printing of new money, gold has historically maintained its purchasing power over long periods of time. We also see opportunities for long term investors in many areas overlooked in the current environment.

The portfolio

Markets endured a roller-coaster ride over the interim period. Trade wars, rising US interest rates, a US government shutdown, Brexit, a collapse in Chinese car sales and, perhaps most importantly, fears of a US recession all contributed to a sense of angst that reached a nadir around Christmas. However, concerns dissipated when it became clear that the US Federal Reserve would, if required, take action to support equity prices.

Generally speaking, our more defensive investments provided the best returns, holding up in the market decline, although not all participated in the subsequent market rally. Our more economically sensitive 'ugly

Manager's Review (continued)

ducklings' suffered in the market downturn and, while these recovered in the subsequent rally, the uplift was not as significant as the downdraft. Outwith the technology area, markets seem to be pricing in a greater risk of recession.

One of our best gains over the period came from gold miner, **Newcrest Mining** (+£5.0m). We recently added to our holdings in this sector, including a new holding in **Barrick Gold**. In addition to the aforementioned merits of gold, the gold miners are set to reap the benefits of a wave of consolidation. Strong gains also came from **BHP** (+£5.0m), a diversified miner. A healthier focus on capital discipline has helped the company to deleverage and make significant cash returns to shareholders.

Pharmaceutical companies **GlaxoSmithKline** (+£2.0m) and **Roche** (+£1.4m) both rose as confidence in the outlook for drug sales grew. Meanwhile, US health major **Pfizer** (-£1.7m) lost some of its recent strong gains.

We added several new holdings in the telecoms sector during the period. Our longstanding investments in **China Mobile** (-£0.4m) and **Verizon Communications** (-£0.1m) held up amid volatile stockmarkets, while we initiated new holdings in **Orange, KPN, Deutsche Telekom, Telstra** and **Tele2**. The regulatory environment appears to be shifting towards a more pragmatic approach, as regulators now wish to encourage investment in the next generation of technologies such as 5G.

The retail sector was a source of mixed fortunes over the last six months. While each investment is different, our central thesis has been that the future of retail looks to be multi channel ('bricks and clicks') as the economics of online only sales are poor (the cost of delivery and returns destroy profits). Our holding in **Tesco** (+£5.5m) is delivering well on its turnaround plan, while **Marks & Spencer** (-£0.2m), **Macy's** (-£7.8m), **Target** (-£2.1m) and **Gap** (-£1.4m) have plans which are yet to be fully realised. Macy's was a disappointment as, having nearly doubled last year on an operational improvement, it gave back most of those gains as sentiment soured.

The financial sector generated mixed returns over the period. Strong returns came from **Standard Chartered** (+£6.0m) which benefited from an improved outlook for the Chinese economy. **ING** (+£1.7m) and **Citigroup** (+£1.1m) also gained. Our Japanese banks, **Sumitomo Mitsui Financial Group** (-£2.2m) and **Mitsubishi UFJ Financial Group** (-£2.7m) were among those to register declines as, in the absence of near term interest rate increases, banks faced a more difficult task to boost returns.

Energy returns were also mixed. Amid the uncertain economic environment, markets favoured the more defensive oil majors over more cyclical oil equipment and services companies. US oil producers **Chevron** (+£1.0m) and **Hess** (+£0.9m) were among those to gain while **National Oilwell Varco** (-£3.9m), **TGS Nopec Geophysical** (-£1.7m) and **Diamond Offshore Drilling** (-£1.6m) lagged.

Elsewhere, solid gains also came from **PepsiCo** (+£2.3m) which is embarking on a plan to reinvigorate sales growth under a new CEO. UK water and waste services provider **United Utilities** (+£2.2m) also had a positive six months as regulatory risks eased.

Outlook

The provenance of the expression "never believe anything until it is officially denied" seems to be disputed but it nonetheless shows a great insight into the realities of politics, bureaucracy and perhaps life itself. Denying something, truthfully or not, gives credibility to the matter in question.

So, with this logic in mind, it was somewhat perturbing to see a tweet from the official White House account with the text "We're killing it on the economy!" accompanied by a 30 second video of Larry Kudlow, President Trump's currently most favoured economic advisor, selling the merits of the economy in a manner reminiscent of a TV home shopping infomercial.

Admittedly, Mr Kudlow wasn't denying anything, but it still begged the question as to why the topic was even being discussed. It seemed odd behaviour. Would it not have been better to let the economy do the talking?

Of course, President Trump was elected precisely because he defied convention and perhaps one should not be surprised when members of his administration deploy unorthodox tactics to buoy confidence. However, global growth appears to be slowing and although the stockmarket has cheered what it sees as an apparent peak in US interest rates, the full effect of the previous interest rate increases has yet to be felt.

US and thus global stockmarket indices remain heavily skewed towards the technology, unicorn and new media areas and it is here that we think that valuations and expectations remain overly enthusiastic, creating a suboptimal balance between risk and reward. We have purposefully minimised exposure to these areas. Outwith these areas, valuations remain more reasonable, and our portfolio focusses here.

As I have previously noted, as contrarian investors we actively seek unfashionable and unpopular investments that we believe can recover. This is where we find the best balance between risk (expectations are low) and reward (things can get better). Our investment approach is designed to anticipate and benefit from change and we will continue to seek out opportunities with potential to profit the long term investor.

Alasdair McKinnon
Manager
14 June 2019

The Investment Team

Our Approach

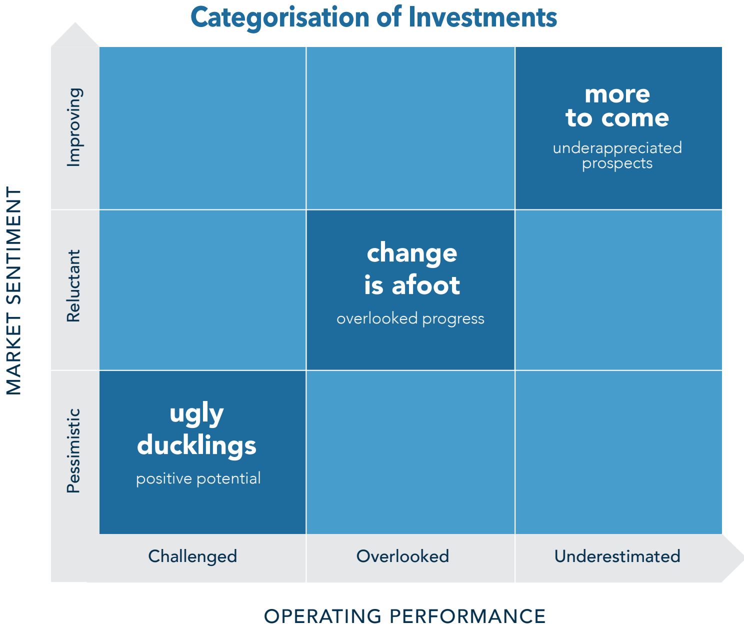
To apply our approach, we divide the stocks in which we invest into three categories.

First, we have those that we describe as **ugly ducklings** – unloved shares that most investors shun. These companies have endured an extended period of poor operating performance and, for the majority, the near-term outlook continues to appear uninspiring. However, we see their out-of-favour status as an opportunity and can foresee the circumstances in which these investments will surprise on the upside.

The second category consists of companies where **change is afoot**. These companies have also endured a long period of poor operating performance but have recently demonstrated that their prospects have significantly improved. However, other investors continue to overlook this change for historical reasons.

In our third category, **more to come**, we have investments that are more generally recognised as good businesses with decent prospects. However, we see an opportunity as we believe there is scope for further improvement that is not yet fully recognised.

Categorisation of Investments



Alasdair McKinnon
Manager

Alasdair joined the Company in 2003 and became Manager in 2015. He has 20 years of investment experience. Alasdair is a CFA® charterholder and an Associate of the UK Society of Investment Professionals.

Martin Robertson
Deputy Manager

Martin joined the Company in 2004 and became Deputy Manager in 2015. He has over 30 years of investment experience. Martin is a member of the CFA Institute and an Associate of the UK Society of Investment Professionals.

Mark Dobbie
Investment Manager

Mark joined the Company in 2000 and became an Investment Manager in 2011. He has 8 years of investment experience. Mark is a CFA® charterholder.

Sarah Monaco
Investment Manager

Sarah joined the Company in 2000 and became an Investment Manager in 2002. She has 17 years of investment experience. Sarah is a member of the CFA Institute.

Igor Malewicz
Investment Analyst

Igor joined the Company in 2017.

Financial Summary

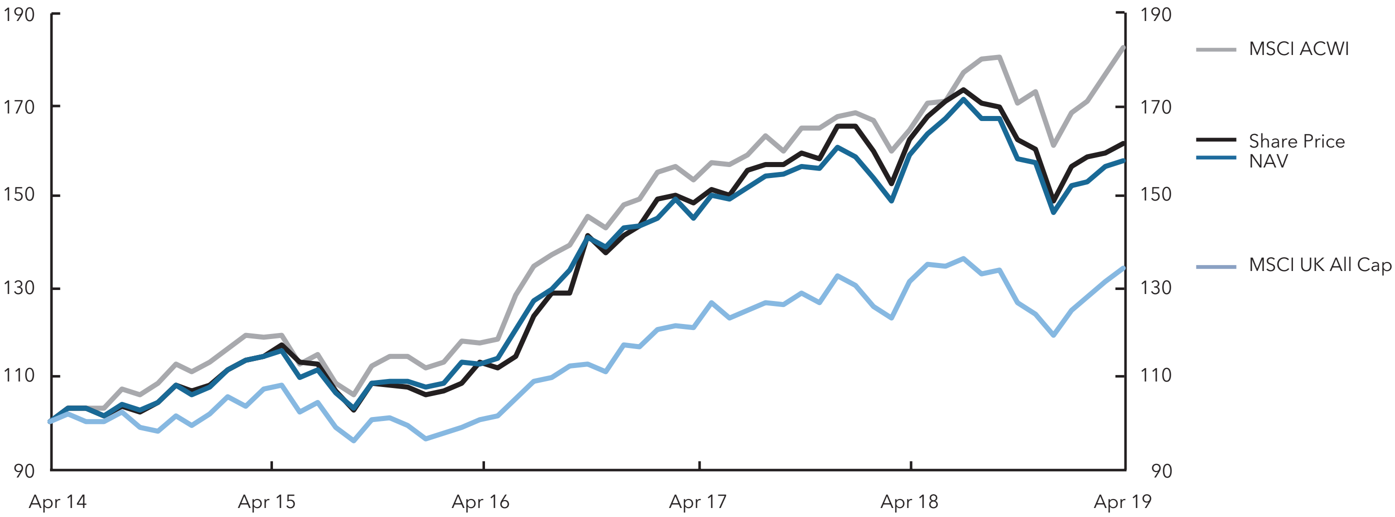
	30 April 2019	31 October 2018	Change %	Total return %
NAV with borrowings at market value	883.0p	900.1p	(1.9)	(0.1)§
NAV with borrowings at amortised cost	912.9p	926.8p	(1.5)	+0.2§
Ex-income NAV with borrowings at market value	875.4p	888.9p	(1.5)	
Ex-income NAV with borrowings at amortised cost	905.2p	915.5p	(1.1)	
Share price	805.0p	825.0p	(2.4)	(0.5)§
Discount to NAV with borrowings at market value§	8.8%	8.3%		
MSCI ACWI			+6.2	+7.2
MSCI UK All Cap Index			+3.6	+6.0

	£'000	£'000
Equity investments	712,966	717,547
Net current assets	68,292	82,931
Total assets	781,258	800,478
Long-term borrowings at amortised cost	(83,875)	(83,829)
Pension liability	(1,337)	(1,337)
Shareholders' funds	696,046	715,312

	Six months to 30 April 2019	Six months to 30 April 2018	Change %
Earnings per share	12.89p	10.89p	+18.4
Dividends per share	10.60p	10.00p	+6.0
UK Consumer Prices Index – annual inflation			+2.1

§ Alternative Performance Measures (please refer to Glossary on page 19).

NAV* and Share Price against Comparator Indices
Total Return – 5 years to 30 April 2019



*with borrowings at market value

List of Investments

as at 30 April 2019

Listed Equities

Holding	Country	Market value £'000	Cumulative weight %
Tesco	UK	37,730	
Newcrest Mining	Australia	30,572	
GlaxoSmithKline	UK	30,276	
Sumitomo Mitsui Financial	Japan	26,379	
Standard Chartered	UK	25,921	
Pfizer	US	25,246	
Royal Dutch Shell	UK	24,891	
BHP	UK	24,617	
Target	US	24,209	
Gap	US	23,478	38.3
Marks & Spencer	UK	21,194	
ING	Netherlands	20,791	
Newmont Goldcorp	US	20,174	
Exxon Mobil	US	19,443	
Pepsico	US	19,343	
China Mobile	China	18,698	
Roche	Switzerland	17,120	
Macy's	US	16,920	
Citigroup	US	16,239	
United Utilities	UK	15,789	64.4
Chevron	US	14,725	
Total	France	14,360	
Barrick Gold	Canada	13,124	
BNP Paribas	France	13,107	
British Land	UK	12,539	
Verizon Communications	US	12,516	
Carrefour	France	11,558	
Mitsubishi UFJ Financial	Japan	11,258	
Hess	US	9,837	
Royal Bank of Scotland	UK	9,584	81.6
East Japan Railway	Japan	9,370	
BASF	Germany	9,260	
Japan Tobacco	Japan	8,266	
Citizens Financial	US	7,748	
Bank of Kyoto	Japan	7,232	
Adecco	Switzerland	6,936	
Intesa SanPaolo	Italy	6,708	
BT	UK	6,597	
TGS Nopec Geophysical	Norway	5,698	
Orange	France	5,281	91.8
KPN	Netherlands	5,240	
Deutsche Telekom	Germany	5,141	
Bank of Ireland	Ireland	5,000	
Vinci	France	4,867	
Baker Hughes	US	4,676	
KDDI	Japan	4,488	
National Oilwell Varco	US	4,015	
BorgWarner	US	3,747	
Telstra	Australia	3,621	
Tele2	Sweden	3,384	98.0
Kirin	Japan	3,366	
Diamond Offshore Drilling	US	3,200	
Tourmaline Oil	Canada	2,555	
Greggs	UK	1,724	
Freehold Royalties	Canada	1,708	
Total listed equities		**711,466**	**99.8**

Unlisted

Holding	Country	Market value £'000	Cumulative weight %
Heritable property and subsidiary	UK	1,500	
Total unlisted		**1,500**	**0.2**
Total equities		**712,966**	**100.0**

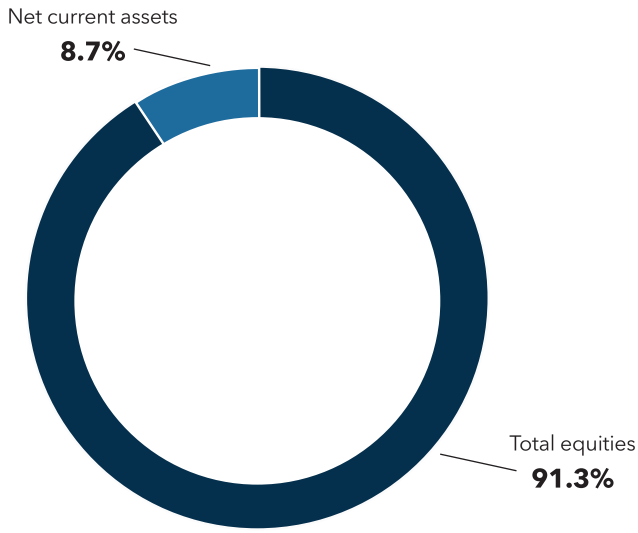
Distribution of Assets

Distribution of Total Assets

by Sector	30 April 2019 %	31 October 2018 %
Energy	13.5	17.9
Materials	12.5	9.5
Industrials	2.7	3.3
Consumer Discretionary	11.7	14.6
Consumer Staples	10.3	7.2
Health Care	9.3	9.1
Financials	19.4	18.8
Information Technology	–	–
Communication Services	8.3	5.9
Utilities	2.0	1.7
Real Estate	1.6	1.6
Net current assets	8.7	10.4
Total assets	**100.0**	**100.0**

by Region	30 April 2019 %	31 October 2018 %
UK	27.2	24.5
Europe (ex UK)	17.2	14.8
North America	31.1	34.5
Latin America	–	–
Japan	9.0	10.7
Asia Pacific (ex Japan)	6.8	5.1
Middle East & Africa	–	–
Net current assets	8.7	10.4
Total assets	**100.0**	**100.0**

Allocation of Total Assets as at 30 April 2019



Allocation of Shareholders' Funds

	30 April 2019 %
Total equities	**102.4**
Net current assets	9.8
Borrowings at amortised cost	(12.0)
Pension liability	(0.2)
Shareholders' funds	**100.0**

Income Statement

	Six months to 30 April 2019 (unaudited)			Six months to 30 April 2018 (unaudited)			Year to 31 October 2018 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments held at fair value through profit and loss	–	(6,290)	(6,290)	–	2,644	2,644	–	(14,566)	(14,566)
Net (losses)/gains on currencies	–	(1,263)	(1,263)	–	(883)	(883)	–	819	819
Income	12,884	–	12,884	11,246	–	11,246	25,854	–	25,854
Expenses	(1,119)	(670)	(1,789)	(1,042)	(198)†	(1,240)	(2,045)	(1,209)	(3,254)†
Net Return before Finance Costs and Taxation	11,765	(8,223)	3,542	10,204	1,563	11,767	23,809	(14,956)	8,853
Interest payable	(866)	(1,608)	(2,474)	(866)	(1,608)	(2,474)	(1,732)	(3,217)	(4,949)
Return on Ordinary Activities before Tax	10,899	(9,831)	1,068	9,338	(45)	9,293	22,077	(18,173)	3,904
Tax on ordinary activities	(1,000)	–	(1,000)	(763)	–	(763)	(1,697)	–	(1,697)
Return attributable to Shareholders	**9,899**	**(9,831)**	**68**	**8,575**	**(45)**	**8,530**	**20,380**	**(18,173)**	**2,207**
Return per share (basic and fully diluted)	**12.89p**	**(12.80)p**	**0.09p**	**10.89p**	**(0.05)p**	**10.84p**	**26.02p**	**(23.20)p**	**2.82p**
Weighted average number of shares in issues		**76,796,443**			**78,725,835**			**78,338,201**	

	£'000	£'000	£'000
Dividends payable	8,083	7,837	19,544

Income comprises:			
Dividends	12,336	11,095	25,392
Interest	548	151	462
	12,884	**11,246**	**25,854**

† Includes a refund of previously paid expenses.

Balance Sheet

	As at 30 April 2019 (unaudited) £'000	As at 31 October 2018 (audited) £'000	As at 30 April 2018 (unaudited) £'000
Fixed Assets			
Investments	712,966	717,547	778,120
Current Assets			
Debtors	3,918	12,733	10,327
Cash and cash equivalents	68,696	83,236	57,132
	72,614	95,969	67,459
Creditors: liabilities falling due within one year	(4,322)	(13,038)	(18,273)
Net Current Assets	**68,292**	**82,931**	**49,186**
Total Assets less Current Liabilities	**781,258**	**800,478**	**827,306**
Creditors: liabilities falling due after more than one year			
Long-term borrowings at amortised cost	(83,875)	(83,829)	(83,783)
Provisions for Liabilities			
Pension liability	(1,337)	(1,337)	(1,091)
Net Assets	**696,046**	**715,312**	**742,432**
Capital and Reserves			
Called-up share capital	19,063	19,296	19,655
Share premium account	39,922	39,922	39,922
Capital redemption reserve	51,798	51,565	51,206
Capital reserve	538,026	555,308	586,231
Revenue reserve	47,237	49,221	45,418
Shareholders' Funds	**696,046**	**715,312**	**742,432**
Net Asset Value per share (basic and fully diluted) with borrowings at amortised cost	**912.9p**	**926.8p**	**944.4p**
Number of shares in issue at period end	**76,249,717**	**77,184,578**	**78,619,069**

Statement of Comprehensive Income

	Six months to 30 April 2019 (unaudited) £'000	Six months to 30 April 2018 (unaudited) £'000	Year to 31 October 2018 (audited) £'000
Total comprehensive income for the period	68	8,530	1,591
Total comprehensive income per share	0.09p	10.84p	2.03p

Statement of Changes in Equity

	Six months to 30 April 2019 (unaudited) £'000	Six months to 30 April 2018 (unaudited) £'000	Year to 31 October 2018 (audited) £'000
Opening shareholders' funds	715,312	760,371	760,371
Total comprehensive income	68	8,530	1,591
Dividend payments	(11,883)	(19,261)	(27,047)
Share buybacks	(7,451)	(7,208)	(19,603)
Closing shareholders' funds	**696,046**	**742,432**	**715,312**

Cash Flow Statement

	Six months to 30 April 2019 (unaudited) £'000	Six months to 30 April 2018 (unaudited) £'000	Year to 31 October 2018 (audited) £'000
Operating activities			
Net revenue before finance costs and taxation	11,765	10,204	23,809
Expenses charged to capital	(670)	(198)	(1,209)
Increase in accrued income	(1,747)	(1,731)	(72)
(Decrease)/increase in other payables	(618)	(354)	264
Decrease in other receivables	80	89	9
Adjustment for pension funding	–	–	(370)
Tax on investment income	(963)	(801)	(1,809)
Cash flows from operating activities	**7,847**	**7,209**	**20,622**
Investing activites			
Purchases of investments	(67,046)	(60,478)	(105,183)
Disposals of investments	64,129	93,045	175,216
Cash flows from investing activities	**(2,917)**	**32,567**	**70,033**
Cash flows before financing activities	**4,930**	**39,776**	**90,665**
Financing activities			
Dividends paid	(7,827)	(15,331)	(27,047)
Share buybacks	(9,215)	(7,821)	(18,451)
Interest paid	(2,428)	(2,428)	(4,857)
Cash flows from financing activities	**(19,470)**	**(25,580)**	**(50,355)**
Net movement in cash and cash equivalents	**14,540**	**14,196**	**40,300**
Cash and cash equivalents at the beginning of period	**83,236**	**42,936**	**42,936**
Cash and cash equivalents at the end of period*	**68,696**	**57,132**	**83,236**

* Cash and cash equivalents represent cash at bank and short-term money market deposits repayable on demand.

Notes

The condensed set of Financial Statements for the six months to 30 April 2019 comprises the statements set out on pages 12 to 15 together with the related notes on this page. It has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice and has not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The condensed set of Financial Statements for the six months to 30 April 2019 has been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Accounts for the year ended 31 October 2018.

It is the opinion of the Directors that, as most of the Company's assets are readily realisable and exceed its liabilities, it is expected that the Company will continue in operational existence for the foreseeable future and, hence, the condensed set of Financial Statements has been prepared on a going concern basis.

The information contained in this Interim Report does not constitute statutory accounts as defined in sections 434-436 of the Companies Act 2006. Where applicable, the figures have been extracted from the Annual Report and Accounts for the year ended 31 October 2018 which has been filed with the Registrar of Companies and which contains an unqualified report from the Auditor.

The second quarterly interim dividend of 5.3p will be paid on 2 August 2019 to shareholders registered at 5 July 2019, with an ex dividend date of 4 July 2019. This dividend will amount to £4.0m.

The first quarterly interim dividend of £4.1m was paid on 10 May 2019.

Equity investments include the unlisted portfolio of £1.5m (31 October 2018: £1.5m).

The weighted average number of shares in issue during the half-year was 76,796,443 (2018: 78,725,835) and this figure has been used in calculating the return per share shown in the income statement. The net asset value per share at 30 April 2019 has been calculated using the number of shares in issue on that date which was 76,249,717 (31 October 2018: 77,184,578).

Analysis of Changes in Net Debt

	31 October 2018 £'000	**Cash flows £'000**	**Non-cash movements £'000**	**30 April 2019 £'000**
Cash	24,190	(16,534)	–	7,656
Short-term deposits	59,046	1,994	–	61,040
Long-term borrowings at par	(83,829)	–	(46)	(83,875)
	(593)	**(14,540)**	**(46)**	**(15,179)**

Principal risks and uncertainties

The principal risks and uncertainties facing the business are strategic, investment portfolio and performance, financial, operational and tax, legal and regulatory. These are listed on page 15 and detailed on page 30 of the 2018 Annual Report and Accounts and they are unchanged from that year. An explanation of these risks and how they are managed is set out in Note 16 on pages 61 to 66 of the 2018 Annual Report and Accounts.

Responsibility statement

The Board of Directors confirms that to the best of its knowledge:

a) the condensed set of Financial Statements has been prepared on a going concern basis and in accordance with Financial Reporting Standard 104 and gives a true and fair view of the assets, liabilities, financial position and return of the Company;

b) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the board

James Will
Chairman
14 June 2019

Investor Information

How to invest
You can buy the Company's shares directly on the stockmarket through a stockbroker or a share dealing platform. Your bank, lawyer, accountant or other professional adviser may also be able to help with this. The Company's registrar, Computershare Investor Services PLC, provides a share dealing service which can be accessed on its website, **www.investorcentre.co.uk** or by telephoning **0370 703 0195**.

More information on ways to invest can be found in the **How to invest** section of the Company's website **www.thescottish.co.uk**.

Dividends
The second quarterly interim dividend of 5.3p will be paid on 2 August 2019 to shareholders registered at 5 July 2019, with an ex dividend date of 4 July 2019.

The first quarterly interim dividend of 5.3p was paid on 10 May 2019.

The Board's previously announced target is to declare a third quarterly interim dividend of 5.3p, payable in November 2019, and to recommend a final dividend of at least 5.3p for approval by shareholders at the Annual General Meeting in 2020.

Dividend reinvestment
Shareholders who hold share certificates
The default arrangement for shareholders who hold share certificates is for dividends to be paid out as income, either by cheque or by direct credit to a bank account. However, shareholders who would prefer to have their dividends automatically re-invested into further purchases of Scottish Investment Trust shares, can easily arrange this by joining the Dividend Reinvestment Plan (DRIP).

Details of the DRIP, together with an application form, can be found in the **Shareholder information** section of our website; **www.thescottish.co.uk**. Alternatively, to receive a DRIP application form and booklet by post, please telephone our Registrar, Computershare Investor Services PLC, on **0370 703 0195**.

Other Shareholders
If your shares are held elsewhere, you should refer to your broker or share dealing platform provider for details of their dividend reinvestment facilities.

Most brokers and platform providers offer a dividend reinvestment service which enables dividends to be automatically reinvested to buy more shares.

Please note that most of these services charge for each dividend reinvested, and you should establish the cost of any such facility with your provider.

Monitoring your investment
The Company's share price, together with performance information, can be found on the Company's website, **www.thescottish.co.uk**

A number of financial websites, such as the Financial Times, **www.ft.com** and the London Stock Exchange, **www.londonstockexchange.com** carry share price information. In addition, the share price is published daily in most quality newspapers.

The Company publishes a daily NAV and a monthly factsheet on its website. An Interim Report is issued in June of each year and the Annual Report is distributed in December.

On the Company's website **www.thescottish.co.uk** you can find our latest **News & views** as well as educational videos and guides in the newly launched **Learning hub**. There is also an option to subscribe for a monthly email roundup. Items of interest to our investors are regularly highlighted on **LinkedIn, YouTube** and **Twitter @ScotInvTrust**

Investor Disclosure Document
In accordance with the Financial Conduct Authority rules implementing the EU Alternative Investment Fund Managers Directive (AIFMD), certain information must be made available to investors before they invest. The Company's Investor Disclosure Document can be found on the Company's website **www.thescottish.co.uk**

Key Information Document
In accordance with the EU Packaged Retail and Insurance-based Investment Products (PRIIP) Regulation, the Company's Key Information Document is available on the Company's website **www.thescottish.co.uk**

Electronic communications
Investors who hold share certificates (i.e. who are not in a broker's nominee), may choose to receive the Company's Interim and Annual Reports and other shareholder communications electronically instead of by post.

To register, visit the link in the shareholder information section on the Company's website, **www.thescottish.co.uk** and follow the instructions provided. Investors will then be advised by email when an electronic communication is available.

Glossary

Management

The Board has appointed the Company's wholly-owned subsidiary, S.I.T. Savings Limited, as its Alternative Investment Fund Manager (AIFM). Day-to-day management of the Company is delegated to the Company's executive management which reports directly to the Board.

Performance comparators

The Company does not have a formal benchmark. Performance is reviewed in the context of returns achieved by a broad basket of UK equities through the MSCI UK All Cap Index and of international equities through the MSCI ACWI. The portfolio is not modelled on any index.

Risk warning

Past performance may not be repeated and 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 Company has a long-term policy of borrowing money to invest in equities in the expectation that this will improve returns but, should stockmarkets fall, such borrowings would magnify losses on these investments.

The Company can buy back and cancel its own shares. All other things being equal, this would have the effect of increasing gearing.

Investment in the Company 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.

Please remember that we are unable to offer individual investment or taxation advice. If you require such advice, you should consult your professional advisers.

S.I.T. Savings Limited is authorised and regulated by the Financial Conduct Authority.

The Scottish Investment Trust PLC is a UK public limited company and complies with the requirements of the UK Listing Authority. It is not authorised or regulated by the Financial Conduct Authority.

† UK GAAP Measure
§ Alternative Performance Measures ("APMs") are measures not defined in FRS 102. The Company believes that APMs provide shareholders with important information on the Company and are appropriate for an investment trust.

Borrowings at amortised cost is the nominal value of the Company's 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 borrowings is based on the redemption yield of the relevant existing reference gilt plus a margin derived from the spread of BBB UK corporate bond yields (15 years+) over UK gilt yields (15 years+). The reference gilt for the secured bonds is the 6% UK Treasury Stock 2028 and the reference gilt for the perpetual debenture stocks is the longest-dated UK Treasury stock listed in the Financial Times.

Discount§ is the difference between the market price of a share and the NAV, expressed as a percentage of the NAV.

Ex-income NAV is the NAV excluding current year revenue.

Gearing§ is the true geared position of the Company: borrowings less cash and equivalents expressed as a percentage of shareholders' funds.

Gross gearing is the geared position if all the borrowings were invested in equities: borrowings expressed as a percentage of shareholders' funds.

NAV† is net asset value per share after deducting borrowings at amortised cost or market value, as stated.

NAV total return§ is the measure of how the Company's NAV has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Ongoing charges figure§ is the measure of the regular, recurring costs of the Company expressed as a percentage of the average daily shareholders' funds with borrowings at market value.

Portfolio turnover rate is the average of investment purchases and sales expressed as a percentage of opening total assets.

Share price total return§ is the measure of how the Company's share price has performed over a period of time, taking into account both capital returns and entitlement to dividends declared by the Company.

Total assets means total assets less current liabilities.

Financial Calendar

Dividend and interest payments

Final for the financial year to 31 October 2018	15 February 2019
First Quarterly Interim	10 May 2019
Second Quarterly Interim	2 August 2019
Third Quarterly Interim	November 2019
Final	February 2020
Secured bonds	17 April, 17 October
Perpetual debenture stock	30 April, 31 October

Announcement of results

NAV	Daily
Interim figures	June
Final figures	December
Annual Report & Accounts	December

Useful Addresses

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Website: www.thescottish.co.uk
Email: info@thescottish.co.uk
Company Registration Number: SC001651
LEI: 549300ZL6XSHQ48U8H53

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Edinburgh EH1 3LH

Depositary
Northern Trust Global Services
50 Bank Street
Canary Wharf
London E14 5NT

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Auditor
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Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB

Actuaries
XPS Pensions Group
40 Torphichen Street
Edinburgh EH3 8JB

The Association of Investment Companies
The Company is a member of The Association of Investment Companies (AIC) which publishes a number of useful consumer guides and email updates for investors interested in investment trust companies.

The AIC
9th Floor
24 Chiswell Street
London EC1Y 4YY
Telephone: 0207 282 5555
Website: www.theaic.co.uk

Shareholders who hold share certificates
For valuations and other details of your investment or to notify a change of address please contact the Company's Registrar:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Helpline: 0370 703 0195
Website: www.investorcentre.co.uk

Keeping in Touch

with The Scottish

Newsletter

Together with our Report & Accounts you also received 'The Contrarian', a quarterly newsletter to investors with our latest thinking on a variety of investment related subjects and other key highlights.

If you would like to hear from us more frequently – there are a number of ways to stay in touch.

Monthly email

Sign-up for our monthly email and receive our factsheet with the latest commentary on markets and trends, our contrarian thoughts and insights on a range of investment subjects – directly to your inbox.

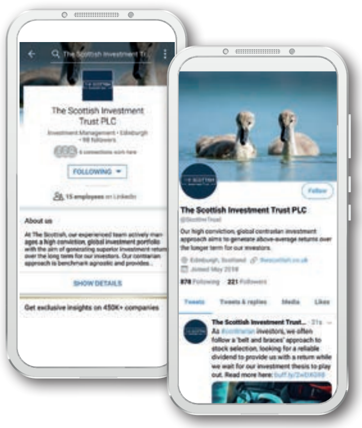
www.thescottish.co.uk/subscribe

Website

Visit www.thescottish.co.uk to keep up-to-date on performance and portfolio statistics, browse through our annual and interim reports and access other key shareholder information.

In our blog, you will find thought-provoking articles from our investment team, weekly thoughts, commentaries, videos and more.

www.thescottish.co.uk/blog



Social media

Follow us on social media – be notified about any new content, highlights from events we are attending, coverage in the press and other activities. You can find our social profiles using the information below.

Twitter: **@ScotInvTrust**

LinkedIn: **The Scottish Investment Trust PLC**

YouTube: **The Scottish Investment Trust PLC**

THE SCOTTISH
Investment Trust

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