

**SHINING A LIGHT ON THE.....
Securities Trust of Scotland Plc**

AT A GLANCE

Investment Objective	
The investment objective of Company is to seek to achieve rising income and long-term capital growth through investing in a balanced portfolio constructed from global equities.	

Inception Date	28 th June 2005
Fund Factsheet Link	http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR00QFU%5D2%5D0%5DFCGBR\$ALL

Management	
Manager Name	Start Date
Mark Whitehead	11 th May 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	45.52%
Large	40.29%
Medium	12.35%
Small	4.84%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	42	
Assets in Top 10 Holdings	35.67%	
Name	Sector	% of Assets
Microsoft Corp	Technology	6.13%
Taiwan Semiconductor Manufacturing Co Ltd ADR	Technology	3.66%
Verizon Communications Inc	Communication Services	3.44%
Airbus SE	Industrials	3.38%
Koninklijke DSM NV	Basic Materials	3.54%
Lockheed Martin Corp	Industrials	3.27%
Transurban Group	Industrials	3.20%
Crown Castle International Corp	Real Estate	3.13%
Samsung Electronics Co Ltd Participating Preferred	Technology	3.09%
SSE PLC	Utilities	3.04%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.25%
3-Yr Mean Return (average)	11.32%

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FUND PERFORMANCE

Performance from 1st January 2014 to 31st January 2020:

	2014	2015	2016	2017	2018	2019	2020
Securities Trust Of Scotland	0.80%	-5.37%	35.84%	6.79%	-7.89%	39.32%	-1.45%
iShares MSCI World	12.49%	4.22%	27.99%	11.40%	-3.12%	21.85%	0.15%

Performance over 12 months, 3 years, 5 years, and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
Securities Trust Of Scotland	30.90%	37.93%	80.79%	73.50%
iShares MSCI World	17.30%	31.94%	74.01%	65.34%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

The number of OEICs and Investment Trusts within the global sector is vast and therefore searching out something different is getting harder to do. Mark Whitehead took on this fund in 2016 and has since looked to develop it into what he would like to see going forward. Previously he worked for Sarasin and Partners.

The aim is to develop a global portfolio of investments which deliver a growing dividend yield. However, where he feels there is a point of difference, is that Mark feels that in achieving these investors should not compromise on growth. So effectively this is an income and growth strategy.

His argument is that markets fade the returns of quality companies too fast and this is where he finds opportunities. The fund is a blend of different stocks: SSE, which is high yielding, and Tencent which has a growing dividend yield.

The trust will only invest in the listed market. To get the returns, this is all about picking the right stocks, and this also means having a strong sell discipline. There is little point in holding something that has fallen over 20% for the next three years, as the likely hood of delivering a positive return is reduced significantly.

A significant drop in a stock will demand a review of the thesis behind the investment and if this has changed then it will be sold.

The bonus paid to the manager is aligned to performance, and 30% of this is deferred, ensuring the manager remains focused on delivering positive outcomes for investors.

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As an investment trust it can and does use gearing. The trust currently has around £25 million of borrowing which is being used in high yield REITS and Infrastructure.

Mike also explained that the fund is benchmark and style agnostic. This enables him to focus on the best companies and adjust his style depending on the market.

We talked about whether the fund is being developed to protect on the downside and capture most of the upside, but this isn't the intention of the strategy. This is out there to compete against the best of the global sector. In terms of performance, 2017, 2018 and 2019 are really the best benchmarks for returns. We always compare against the MSCI World, where the fund underperformed in 2017 and 2018, but significantly outperformed in 2019. This would suggest that the return potential is there, but it is likely to be lumpy.

Mark has come from an excellent track record at Sarasin and one would expect this to repeat. Certainly, since coming on board he has outperformed. By concentrating on strong companies with a focus on delivering returns to investors via dividends, without compromising on growth, this seems to be where the edge for the strategy lies. Investors who know Mark may be happy to invest, others may wish to wait and see how performance plays out.

The source of information in this note has been provided by Legg Mason and is correct as at January 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.