

# Securities Trust of Scotland plc

Growing long-term, delivering high income

Interim management statement - 1 October to 31 December 2008

February 2009

## Profile

<b>Objective</b>	To achieve rising income and long-term capital growth by investment in the UK.
<b>Benchmark</b>	FTSE All-Share index
<b>Sector</b>	UK Growth & Income
<b>Listed</b>	28 June 2005

## Portfolio

Asset class	30 Sep	31 Dec
Equities	108.8%	102.7%
Fixed interest	3.0%	3.4%
Cash	1.8%	6.5%
Borrowings	(13.7%)	(12.6%)

## Equity allocation

	30 Sep	31 Dec
Financials	27.6%	22.9%
Oil and gas	14.4%	19.5%
Consumer goods	13.1%	12.1%
Healthcare	7.1%	9.6%
Industrials	8.3%	8.7%
Consumer services	7.8%	7.4%
Utilities	5.9%	6.6%
Basic materials	8.1%	6.2%
Telecommunications	6.5%	5.6%
Technology	1.3%	1.4%

## Top 10 equity holdings (55.6% of total portfolio)

BP	10.1%
Royal Dutch Shell	8.6%
British American Tobacco	6.2%
GlaxoSmithKline	5.7%
Vodafone	5.6%
HSBC	4.9%
AstraZeneca	4.0%
Aviva	3.6%
BAE Systems	3.5%
National Grid	3.4%

Number of holdings 50

## Key facts

Net assets	£85.4million
Share price	83.0p
Net asset value per share†	85.5p
Discount/(premium)	2.9%
Net yield**	6.7%

\*\*The second interim dividend of 1.15p for the year to 31 March 2009 has been paid.

†Following a recent review by the AIC, the NAV stated in our reporting is inclusive of current year revenue.

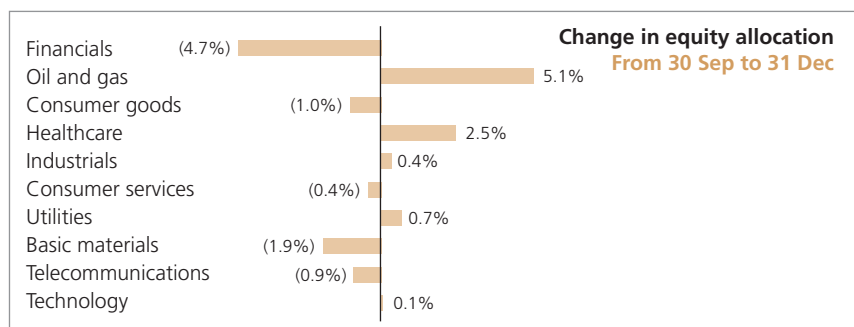
## Manager's commentary



A grim fourth quarter concluded a grisly year for the UK stockmarket. Given the speed and scale of the economic slowdown, it soon became apparent that corporate earnings would suffer further major declines in 2009. In particular, the combination of high debt and weakening demand proved hugely damaging. The FTSE All-Share index fell by 10.2% in the year's final quarter, with large companies significantly outperforming smaller ones. Over 2008 as a whole, the UK market fell by 29.9% – its worst annual return since 1974. The Bank of England slashed base rates from 5% to 2% in the fourth quarter, and sterling slumped against most major currencies.

The trust underperformed over the period. Investments in the financial and industrial sectors were the chief sources of this underperformance. During the quarter, we bought a new holding in Petrofac (oil services). We sold Persimmon, Johnston Press, Inchape, BT and Aviva.

## Ross Watson



## Performance

### Discrete performance over 12 months to 31 December

	2008	2007	2006	2005	2004
Share Price	(31.1%)	(6.1%)	26.1%	-	-
NAV	(37.7%)	(0.4%)	21.9%	-	-
Benchmark	(29.9%)	5.3%	16.8%	-	-

### Cumulative performance over periods to 31 December 2008

	One month	Three months	Six months	One year	Three years	Five years	Since launch*
Share Price	9.2%	(6.4%)	(15.1%)	(31.1%)	(18.5%)	-	(6.4%)
NAV	1.9%	(14.7%)	(25.7%)	(37.7%)	(24.4%)	-	(14.3%)
Benchmark	3.7%	(10.2%)	(21.1%)	(29.9%)	(13.8%)	-	(2.3%)

### Past performance is not a guide to future returns.

Source: Martin Currie and Fundamental Data. Bid to bid basis with net income reinvested over the periods shown in sterling terms. These figures do not include the costs of buying and selling shares in an investment trust. If these were included, performance figures would be reduced.

The risks outlined at the end of this document relating to gearing and single country markets are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

All sources (unless indicated): Martin Currie as at 31 December 2008.

## Capital structure

Ordinary shares 101,970,223\*

\*Source: Martin Currie as at 31 December 2008.

## Board of directors

Neil Donaldson (chairman) Andrew Irvine  
Charles Berry Edward Murray  
Anita Frew

## Material events and transactions

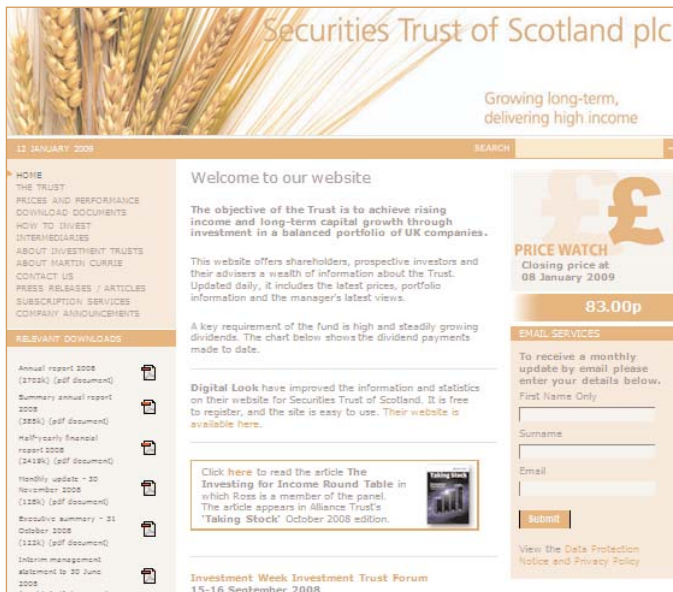
During the three month period, no shares were bought back for cancellation.

Gearing at the end of the period was 12.6% (13.7% as at 30/09/08).

Three dividends of 1.15p per share have been announced for the year to 31 March 2009. The third dividend will be paid on 13 March 2009 to shareholders on the register as at 13 February 2009.

## Website

The trust has its own website at [www.securitiestrust.com](http://www.securitiestrust.com). There you will find further details about the trust, information on Martin Currie, daily share prices (and associated risks), and you can access regular webcasts by the manager.



[www.securitiestrust.com](http://www.securitiestrust.com)

## Key information

Year end 31 March  
Annual general meeting July  
Interim dividends paid March, June, September, December  
Annual management fee as at 31 March 2008† 0.3%  
Total expense ratio as at 31 March 2008\* 0.6%  
Epic code STS  
Reuters code STS.L

†Percentage of net assets.

\*Percentage of shareholders' funds. Includes annual management fee.

## Net asset value and dividend history

As at 31 March	Share price	NAV per share	Discount/ (premium)	Dividend per share
2006	125.5p	135.6p	7.4%	2.85p
2007	141.3p	148.8p	4.8%	5.05p
2008	116.0p	121.53p	3.8%	5.45p

**Past performance is not a guide to future returns.**

## Risk factors

Please note that, as the shares in investment trusts are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares.

Depending on market conditions and market sentiment, the spread between the purchase and sale price can be wide. As with all stock exchange investments the value of investment trust shares purchases will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Investment trusts may also borrow money in order to make further investments. This is known as "gearing" and can enhance shareholder returns in rising markets but, conversely, can reduce them in falling markets.

The value of investments and the income from them may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested.

The majority of charges will be deducted from the capital of the trust. This will constrain the capital growth of the trust in order to maintain the income streams.

Exposure to a single country market increases potential volatility.

**Important notice:** This information is issued and approved by Martin Currie Investment Management Ltd in its capacity as investment manager. It does not in any way constitute investment advice or an invitation or inducement to invest. This document is for the recipient only and should not be given or sent to other parties.

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