

# Securities Trust of Scotland plc

Growing long-term, delivering high income

Interim management statement - 1 April to 30 June 2007

August 2007

## 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	31 Mar	30 Jun
Equities	104.7%	106.3%
Fixed interest	3.1%	0.5%
Cash	1.3%	1.6%
Borrowings	(9.1%)	(8.4%)

## Equity allocation

	31 Mar	30 Jun
Financials	33.3%	32.8%
Oil and gas	12.5%	12.1%
Consumer goods	11.6%	11.5%
Consumer services	10.7%	10.6%
Industrials	8.9%	9.1%
Basic materials	8.2%	8.7%
Telecommunications	6.2%	8.2%
Utilities	5.2%	3.8%
Healthcare	3.5%	3.2%

## Top 10 equity holdings (42.3% of total portfolio)

BP	6.3%
HSBC	6.1%
Royal Dutch Shell	5.7%
Royal Bank of Scotland	4.9%
British American Tobacco	4.6%
Vodafone	4.6%
Barclays	3.1%
GlaxoSmithKline	3.1%
BHP Billiton	2.8%
BT	2.6%

Number of holdings 58

## Key facts

Net assets	£154 million
Share price	135.3p
Net asset value per share	151.2p
Discount/(premium)	10.5%
Net yield**	3.7%

\*\*The dividend for year to 31 March 2007 was 5.05p. This was paid quarterly with the last payment of 1.9p paid on 29 June 2007

## Manager's commentary



### Review

This was a good quarter for the FTSE All-Share (+4.5%) and the portfolio performed in line. Most gains came in April and May, with June subdued. The FTSE 100 outperformed (+ 5.6%); bonds performed poorly.

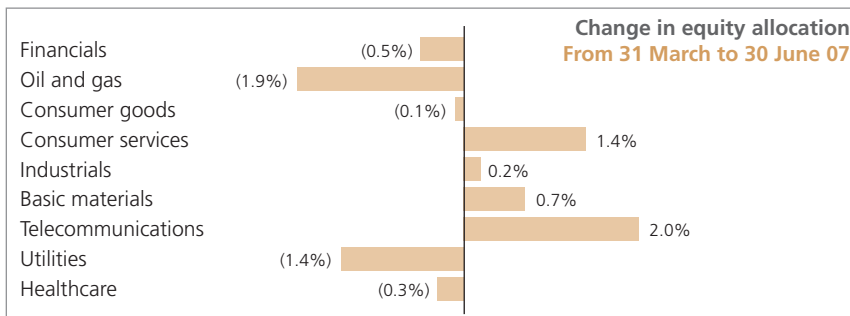
Oil & gas, telecoms and basic materials were the strongest sectors. Rate-sensitive sectors (housebuilders, financials, retailers and real estate) suffered. After prolonged underperformance, the largest index components did well. With valuations relatively low, there is scope for further outperformance here.

Among the fund's best performers were bid targets Hanson and PFI Infrastructure. We sold both. Negatives came mainly from rate-sensitive stocks. New holdings included Kingston Communications, Johnston Press and Rugby Estates Investment. After strong performance, we sold Go-Ahead. We also sold a substantial amount of Scottish & Southern Energy, although we retain a large holding. We exited Queens Walk; conditions in the mortgage market have reduced its dividend payment.

### Outlook

We expect rising interest rates to impact the UK consumer in 2007. This perhaps explains why small- and mid-cap stocks have begun to underperform after several years at the forefront. These companies typically have greater exposure to the domestic economy.

### Ross Watson



## Performance\*

### Discrete performance over 12 months to 30 June

	2007	2006	2005	2004	2003
Share price	17.5%	15.4%	-	-	-
NAV	20.2%	20.0%	-	-	-
Benchmark	18.4%	19.7%	-	-	-

### Cumulative performance over periods to 30 June 2007

	One month	Three months	Six months	One year	Three years	Five years	Since launch*
Share price	(2.3%)	(3.0%)	(1.7%)	17.5%	-	-	42.3%
NAV	(0.7%)	4.5%	4.8%	20.2%	-	-	44.9%
Benchmark	(0.8%)	4.5%	7.6%	18.4%	-	-	42.4%

### \*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.

Although Martin Currie complies with the Global Investment Performance Standards (GIPS), the fund returns used in this document are calculated on the net asset value and therefore fall outside the scope of the GIPS standards.

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 30 June 2007.

## Capital structure

Ordinary shares 101,970,223

## Board of directors

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

## Manager's biography

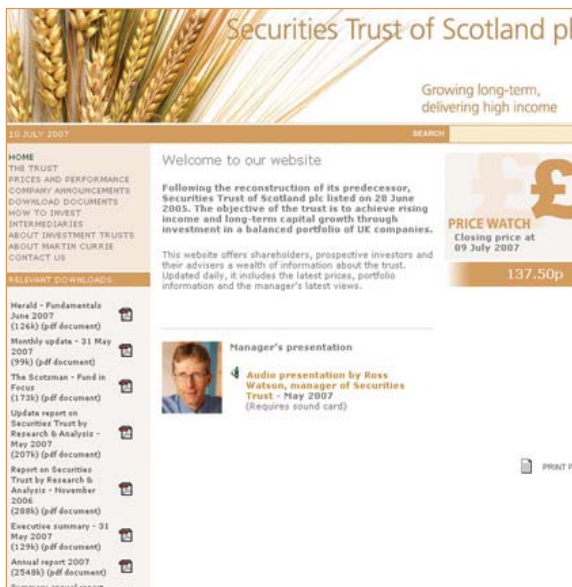
Ross Watson started his investment career in 1983 as a trainee analyst with First Scottish Investment Trust. He joined Gartmore in 1988, where he spent 12 years managing their high income UK equity portfolios. In 2000 he moved to Aberdeen Asset Managers. During his four years there, he managed Murray Income Trust, Jersey Phoenix Trust, Murray Extra Return Investment Trust and The Income & Growth Trust. He joined Martin Currie in 2005.

## Key dates

Year end 31 March  
Annual general meeting July  
Interim dividends paid March, June, September, December

## 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 you can access regular webcasts by the manager.



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

## Management fee and expenses at 31 March 2007

Annual management fee† 0.3%  
Total expense ratio\* 0.8%

†Percentage of net assets.

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

## Dealing information

Epic code STS  
Reuters code STS.L

## 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

**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.

Past performance is not a guide to future returns.

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.

**Martin Currie Investment Management Ltd**, registered in Scotland (no 66107)

Registered office: Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

Tel: 0808 100 21 25 Fax: 0131 222 2532 [www.martincurrie.com](http://www.martincurrie.com)

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