

Securities Trust of Scotland plc

Growing long-term, delivering high income

Executive summary

29 February 2008

ABOUT THE TRUST

- UK investment trust with £130 million of net assets.
- Aims to achieve rising income and long-term capital growth through a balanced portfolio of UK investments.
- Managed by Ross Watson, and supported by Martin Currie's highly rated UK growth and income team.
- Net yield of 4.3%* is higher than its sector average.†
- Basic annual management fee of 0.3%, accompanied by a performance fee arrangement that aligns the manager's interests directly with shareholders.

*Dividend of 5.05p paid for the year to 31 March 2007. A third interim dividend for the year to 31 March 2008 of 1.10p was paid on 14 March 2008, making a total of 3.30p.

† Source: AIC

MANAGER, TEAM AND BOARD



Ross Watson,
Investment manager

Ross Watson is the manager of Securities Trust of Scotland. Ross joined Martin Currie in March 2005 and has 24 years' investment experience managing UK growth and income funds.

UK Growth and Income team

Ross is supported by Martin Currie's UK growth and income team which manages a number of portfolios with a mandate similar to that of Securities Trust of Scotland. Scott McKenzie joined Martin Currie in October 2005 to manage the Martin Currie UK Equity Income Fund. He has 17 years' investment experience and has been managing UK equity income funds since 1991. Jennifer Walker has seven years' experience and carries out specialist research for the team. The team have an investment trainee, Chris Conner.



Scott McKenzie



Jennifer Walker



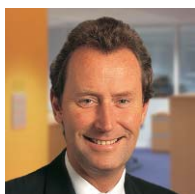
Chris Conner

Sector managers

The team is also supported by Martin Currie's experienced sector research team. We believe that themes and ideas emerge more clearly with dedicated sector-based research. Because of the maturity and quality of the individuals - an average experience of eight years - our sector managers are an extremely high quality resource for our investment managers.

Board of directors

Securities Trust of Scotland is overseen by a fully independent board of five directors, led by Chairman Neil Donaldson. The other members are Anita Frew, Andrew Irvine, Charles Berry and Edward Murray. The



Neil Donaldson,
Chairman

WHY SECURITIES TRUST OF SCOTLAND?

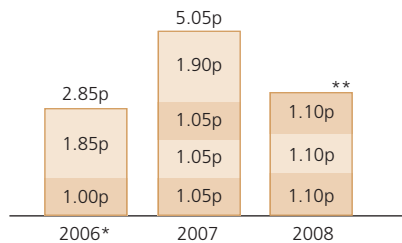
We believe Securities Trust offers a good core holding for UK investors seeking rising income and long-term capital growth. It is distinguished by its:

- Freedom to exercise the manager's stock-picking skills:
 - Focused 45-60 stock equity portfolio
 - Unconstrained by sector, stock or market capitalisation restrictions
- Experienced investment team:
 - Managed by Ross Watson since launch in June 2005
 - Highly-rated Scott McKenzie joined UK Growth & Income team in October 2005
 - Supported by Martin Currie's sector research team

- Proven discount protection mechanism:
 - Use share buy-backs to maintain in single digits
 - If discount exceeds 7.5% in three months prior to financial year-end, a redemption opportunity follows
- Progressive dividend policy:
 - To achieve real dividend growth over the medium term
 - A higher yield than most other funds in its sector - currently 4.3%*
 - Quarterly dividends for investors who require a regular income

*Source: AIC

Dividend payments to 31 March each year (Pence per share)



Source: Martin Currie Investment Management Ltd. Dividends are paid quarterly.

*Since launch on 28 September 2006. ** Paid on 14 March 2008 for the year ending 31 March 2008.

INVESTMENT PROCESS

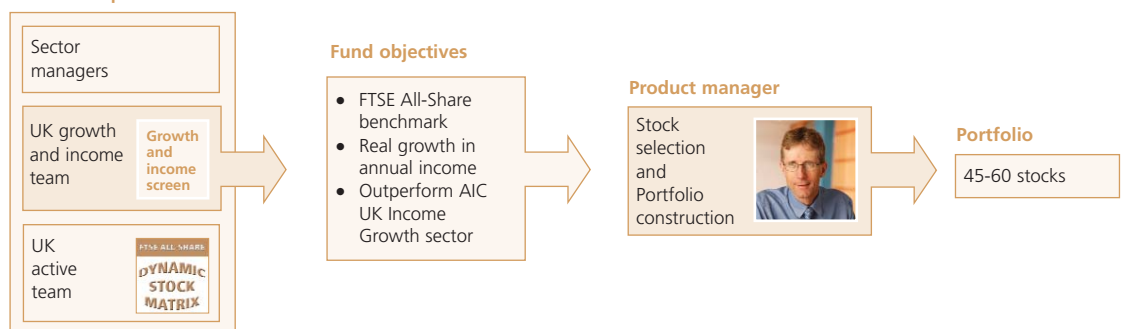
The key elements of our process are:

- A stock-picking approach, supported by macro analysis to minimise risks to factors such as interest rates or the oil price. Our portfolios get the maximum benefit of the experience and perspective of our investment managers and sector research team.
- We use two screens to help in stock selection, adding objectivity to the process. The Dynamic Stock Matrix, our proprietary stock ranking system, scores stocks on a range of proven factors that influence long-term share price performance. With our Core Screen Matrix we also screen stocks on additional parameters, such as cash flow and dividend yield.
- An extensive programme of company meetings by our portfolio managers and sector research team supports the process.

The diagram below illustrates how the elements of the process come together:

Our investment process for Securities Trust of Scotland

Research inputs



What we look for in a stock

We are looking for good quality stocks, that are attractively valued with good growth prospects and exhibiting positive change.

- High quality
 - Companies with sound balance sheets that generate strong cash flow
 - High calibre management with measurable track records and who own stock in the company
- Good value
 - Free cash flow yield
 - Attractive price/earnings
 - Above average prospective yield
- Strong growth
 - Strong sales growth
 - Attractive earnings growth
 - Superior dividend growth
- Positive change
 - Improving return on invested capital
 - Earnings upgrades
 - Scope to increase dividend pay-out ratio

ABOUT MARTIN CURRIE

Martin Currie is a specialist active equity manager. Based in Edinburgh, and with offices in London, Shanghai and New York, we manage £15.7 billion in investment portfolios for 175 clients around the world, including investment trusts, pension funds, charities and financial institutions.

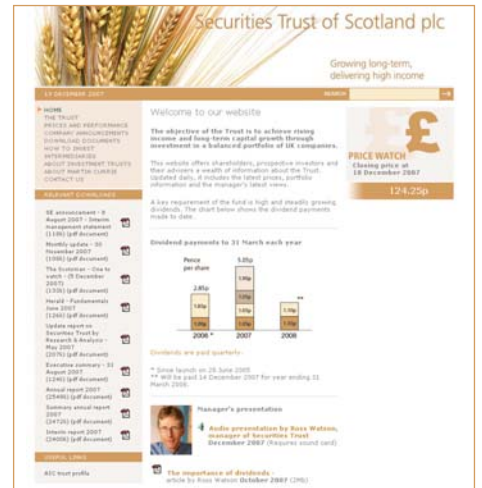
Martin Currie describes itself as 'The Big Boutique'. This means having the solidity, professionalism and robustness of process of a large company, combined with the distinctiveness and client focus and personal ownership of a small company.

Martin Currie is independent and employee-owned. The company is committed to remaining independent, helping it to attract and retain the best people, while delivering superior investment performance for its clients.

OUR COMMITMENT TO COMMUNICATION

Securities Trust of Scotland has its own dedicated website at www.securitiestrust.com. This offers shareholders, prospective investors and their advisers a wealth of information about the trust. Updated daily, it includes the following:

- Latest prices
- Performance data
- Portfolio information
- The manager's latest views
- Monthly updates
- Regular webcasts



HOW TO INVEST IN SECURITIES TRUST OF SCOTLAND

There are a number of ways in which you can buy and hold shares in Securities Trust of Scotland.

Alliance Trust Savings

Investment plans, PEP transfers and ISA products are available through Alliance Trust Savings ('ATS').

UK residents can invest in Securities Trust of Scotland shares in the following ATS products:

- Select Investment Plan
- Select ISA - 'mini' ISA to £4,000 per annum or 'maxi' ISA to £7,000 per annum
- Select PEP - transfer your existing PEPs to ATS
- Self-Invested Personal Pension
- 'First Steps' - a savings plan for children
- Share Exchange Service

Features of the ATS plans include:

- No set-up or annual plan charges
- Competitive transaction based charges
- Ability to subscribe by direct debit and/or lump sum
- Consolidated statements and valuations of all plans - also available online
- A broad choice of investments
- Ability to consolidate other investments within an ATS Plan
- A dedicated customer service team

For more information, please contact ATS on **08000 326323**, or visit www.alliancetrusts.com

Online stockbroking services

A number of real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. Many sites ask for a stock exchange ticker symbol to identify individual companies, which for Securities Trust of Scotland is STS (or STS.L if the site allows dealing in international equities).

Sites include:

- Stocktrade (www.stocktrade.co.uk)
- Barclays Stockbrokers (www.barclays-stockbrokers.com)
- E-Trade (www.etrade.co.uk)
- Charles Stanley Fastrade (www.fastrade.co.uk)
- Sharepeople (www.sharepeople.com)
- Squaregain (www.squaregain.co.uk)
- TD Waterhouse (www.tdwtrader.co.uk)

Private client stockbrokers

If you have a large sum to invest, you may want to contact a private client stockbroker. They will manage your entire portfolio of shares and will advise you on your investments. If you would like to find a private client stockbroker, please visit the Association of Private Client Stockbrokers and Investment Managers at www.apcims.co.uk who will help you find the right stockbroker for your needs.

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.

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