

Securities Trust of Scotland plc

Monthly update

30 September 2011

Profile

Objective	To achieve rising income and long-term capital growth by investment in global equities.
Benchmark	MSCI World High Dividend Yield index
Sector	Global Growth & income
Launch	28 June 2005

Portfolio

Asset class	31 Aug	30 Sep
Equities	105.7%	104.3%
Fixed interest	1.3%	1.1%
Cash	4.5%	4.6%
Gearing	(11.5%)	(10.0%)

Equity allocation

	31 Aug	30 Sep
Healthcare	19.0%	19.6%
Financials	16.6%	15.7%
Consumer services	12.6%	15.0%
Telecommunications	12.1%	12.8%
Consumer goods	10.5%	10.8%
Utilities	8.6%	8.8%
Oil & gas	5.6%	6.8%
Industrials	6.6%	6.8%
Basic materials	6.7%	2.0%
Technology	1.6%	1.7%

Regional allocation

	31 Aug	30 Sep
Europe	52.3%	49.1%
North America	36.9%	38.0%
Pacific ex Japan	4.2%	5.8%
Japan	3.2%	3.6%
Other	1.8%	1.8%
Emerging markets	1.6%	1.7%

Top 10 equity holdings (34.6% of total portfolio)

AT&T	4.1%
Royal Dutch Shell	4.1%
Pfizer	3.8%
Vodafone	3.6%
Novartis	3.5%
GlaxoSmithKline	3.3%
AstraZeneca	3.2%
Abbott Laboratories	3.1%
McDonalds	3.0%
Philip Morris International	2.9%

Number of holdings	47
Number of countries	14

Key facts

Net assets	£109.5m
Share price (p)	104.0
Net asset value per share (p)	109.2
Discount (premium)	4.8%
Net yield	4.5%

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

Performance

Discrete performance over 12 months to 30 September

	2011	2010	2009	2008	2007
Share price	9.4%	15.9%	6.9%	(30.4%)	10.7%
NAV	3.3%	14.8%	5.6%	(27.7%)	9.7%
Benchmark	2.6%	12.5%	10.8%	(22.3%)	12.2%

Cumulative performance over periods to 30 September 2011

	One month	Three months	Six months	One year	Three years	Five years
Share price	(2.6%)	(8.9%)	(1.6%)	9.4%	35.5%	4.4%
NAV	(3.3%)	(10.0%)	(5.9%)	3.3%	25.2%	(0.7%)
Benchmark	(2.0%)	(7.2%)	(5.4%)	2.6%	27.9%	11.5%

Source: Martin Currie and Morningstar. 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. Prior to 1 August 2011, the Trust's benchmark was the FTSE All-Share index and the MSCI World High Dividend Yield index thereafter. Past performance is not a guide to future returns.

Manager's commentary



September was a turbulent month for equity markets. As the ongoing eurozone-debt crisis, S&P's downgrade of the US credit rating and weak economic data suggested the possibility of a double-dip recession, the MSCI World High Dividend Yield index declined 2.0%. Regionally, Asia and emerging markets were the worst performers, with Japan the only major market in positive relative territory. The weakest sector was materials, followed by energy, financials and industrials. The dollar strengthened against both the euro and sterling; all commodities were weak.

The fund lost 3.3% of its NAV, underperforming its benchmark. On the stock level, negatives for the month included French bank BNP Paribas, US chemicals giant DuPont and French water utility Suez Environnement. BNP was weak because of exposure to Italy as well as the general sentiment towards financials in the face of the PIIGS crisis. DuPont's fall came despite posting better-than-expected second-quarter results. And Suez suffered downgrades from some brokers based on its exposure to European GDP. Our conviction in all three stocks remains. Key positives included two Japanese stocks – mobile telecoms company NTT DoCoMo and convenience-store operator Lawson – as well as UK-listed educational and business publisher Pearson.

Key transactions during the month included the sale of miner BHP Billiton and the purchases of Norwegian offshore drilling company Seadrill and Australian retailer Woolworths.

Despite the harsh macroeconomic environment, at the microeconomic level, most companies have strong balance sheets and cashflows (concerns remain, however, regarding future growth potential). We intend to hold firm with our strategy and remain confident that stocks exhibiting a combination of growth and yield are the best investments for these uncertain times.

Alan Porter

The risks outlined at the end of this document relating to gearing and exchange rate movements 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 September 2011.

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Capital structure

Ordinary shares 100,259,771*

*Source: Martin Currie as at 30 September 2011.

Board of directors

Neil Donaldson (chairman) Andrew Irvine
Charles Berry Edward Murray
Rachel Beagles

Manager's biography

Alan joined Martin Currie in 2008. He manages our Global Equity Income Fund and Securities Trust of Scotland. Before coming to us, Alan worked as a research analyst at BlueSilver Alternative Ltd and, earlier, at Insight Investment, where he was responsible for analysing European equities. Having started his investment career as a trainee fund manager with Scottish Amicable Investment Managers, Alan went on to manage European funds for Hill Samuel Asset Management Ltd and Old Mutual Asset Managers Ltd. He has also worked in research marketing for Schroder Salomon Smith Barney.

Key information

Year end 31 March
Annual general meeting July
Interim dividends paid March, June, September, December
Annual management fee as at 31 March 2011† 0.3%
Total expense ratio 31 March 2011* 0.7%
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	148.4p	4.8%	5.05p
2008	116.0p	121.5p	3.8%	5.45p
2009	66.3p	75.4p	12.2%	5.45p
2010	99.0p	109.4p	9.5%	4.65p
2011	108.0p	117.4p	8.0%	4.65p

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.

Changes in the rates of exchange may cause the value of investments to go up or down.

The trust invests in emerging markets which tend to be more volatile than mature markets and the value of your investment could move sharply up or down. In some circumstances the underlying investments may become illiquid which may constrain the investment manager's ability to realise some or all of the portfolio. The registration and settlement arrangements in emerging markets may be less developed than in more mature markets so the operational risks of investing are higher. Political risks and adverse economic circumstances are more likely to arise putting the value of your investment at risk.

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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Authorised and regulated by the Financial Services Authority and a member of the Investment Management Association.

Please note that calls to the above number may be recorded.

Website

The trust has its own website at 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