



## PROFILE

Objective	To achieve rising income and long-term capital growth by investment in global equities.
Benchmark	Peer group <sup>^</sup>
Sector	Global equity income
Launch	28 June 2005

## PORTFOLIO

### Sector allocation

	31 Aug	30 Sep
Financials	23.0%	22.8%
Information technology	12.9%	12.9%
Industrials	10.9%	11.2%
Healthcare	10.9%	10.7%
Materials	9.7%	10.1%
Consumer staples	8.9%	8.7%
Real Estate	9.0%	8.7%
Consumer discretionary	8.9%	8.7%
Energy	6.6%	7.2%
Telecommunications	3.9%	4.0%
Utilities	4.0%	3.9%
Cash	1.6%	2.3%
Active Options Exposure	2.0%	1.2%
Gearing*	(12.3%)	(12.4%)

### Regional allocation

	31 Aug	30 Sep
North America	52.3%	52.7%
Europe	42.1%	41.6%
Asia Pacific ex Japan	9.4%	9.0%
Emerging Markets	6.9%	6.8%
Japan	0.0%	0.0%
Cash	1.6%	2.3%
Gearing*	(12.3%)	(12.4%)

### Top 10 holdings

(29.3% of total portfolio)

Apple	3.8%
Philip Morris International	3.3%
Chevron	3.1%
ING Groep	2.9%
Roche	2.8%
Givaudan	2.8%
Taiwan Semiconductor	2.7%
Microsoft	2.7%
Waste Management	2.6%
Credicorp	2.6%
Number of holdings	54
Number of countries	15

### Key facts

Total net assets	£199.1m
Share price (p)	165.0
Net asset value per share (p)	177.5
Discount (premium)	7.0%
Historic net yield <sup>†</sup>	3.6%
Active Options Exposure <sup>‡</sup>	1.2%

## PERFORMANCE

### Cumulative performance over periods to 30 September 2017

	One month	Three months	Six months	One year	Three years	Five years
Share price	(2.9%)	(0.9%)	1.2%	10.0%	34.2%	55.3%
NAV	(2.3%)	0.5%	1.4%	12.2%	38.1%	72.2%
Peer group <sup>^</sup>	(1.7%)	0.9%	0.8%	11.4%	41.0%	76.0%

<sup>^</sup>On 1 June 2016 Securities Trust of Scotland changed from benchmarking performance against the MSCI World High Dividend Yield index to an unconstrained strategy measured against the performance of the median of the peer group described below. Performance is shown in the table above against this new peer group across various time periods for illustrative purposes only. Prior to adopting a global mandate on 1 August 2011 the company's benchmark was the FTSE All-Share index.

The peer group consists of the AIC Global Equity Income sector combined with actively managed ICVC, SICAV or OEIC funds from Lipper Global – Global Equity Income sector. Performance is measured against the median of this peer group.

### 12-month performance

	To end Q3 2017	To end Q3 2016	To end Q3 2015	To end Q3 2014	To end Q3 2013
Share price	10.0%	31.4%	(7.1%)	0.5%	15.2%
NAV	12.2%	27.6%	(3.6%)	5.8%	17.8%

Past performance is not a guide to future returns.

Source: Martin Currie. The NAV basis used is cum-income in £. Please note prior to July 2017 the NAV basis used was ex-income NAV in £. Ex-income NAVs exclude current-year income, while cum-income NAVs include current-year income. These figures do not include the cost of buying and selling shares in an investment trust. If these were included, performance figures would be reduced.

## MANAGER'S COMMENTARY

Global equities fell in September in sterling terms, the MSCI ACWI down by 2.1%. At a regional level, Europe fared relatively well over the month, while Pacific ex Japan was the weakest. Energy was the only sector to post a positive return, while utilities and consumer staples fell the most.

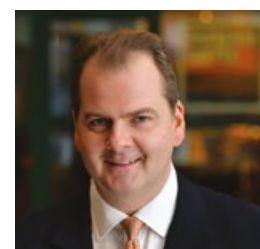
Against this backdrop, the company's NAV fell by 2.3%.

At a stock level, French aeronautics firm Airbus was the strongest contributor to returns, buoyed by continued strong global air-traffic growth. US bank holding company Huntington was also strong, as investors anticipated a December US interest rate rise (rate hikes typically being good for banks). US integrated energy firm Suncor also performed in line with the oil price rally, which has been driven by shrinking stocks and strengthening demand in both developed and developing countries.

On the other side, three US names were the main underperformers. Tech giant Apple was weak on an underwhelming launch of the much-anticipated iPhone 8 which comes at a higher price point than previous generations. Defensive stocks were out of favour over the month, and this impacted wireless infrastructure provider Crown Castle and tobacco name Philip Morris – the latter also impacted by a stronger US dollar as it earns its money abroad but reports in dollars.

In terms of portfolio activity, there were no outright disposals or purchases. In terms of options activity, we sold puts on multi-national insurance and financial services firm Prudential.

### Mark Whitehead



\*The risk outlined at the end of this document relating to gearing is particularly relevant to this company but should be read in conjunction with all warnings and comments given.

<sup>†</sup>Source for historic yield: Martin Currie as at 30 September 2017. The historic yield reflects dividends declared over the past 12 months as a percentage of the mid-market share price, as at the date shown. Investors may be subject to tax on their dividends.

<sup>‡</sup>As at 30 September 2017 the company's active options exposure amounted to 1.2% of the NAV. Please see Important Information for further details at the end of this document.

All sources (unless indicated): Martin Currie as at 30 September 2017.

## CAPITAL STRUCTURE

Ordinary shares 112,140,218

## BOARD OF DIRECTORS

Rachel Beagles (chairman) John Evans  
Angus Gordon Lennox Mark Little

## KEY INFORMATION

Year end 31 March  
Annual general meeting July  
Interim dividends paid March, June, September, December  
Investment management fee as at 31 March 2017<sup>^</sup> 0.6%  
Ongoing charges 31 March 2017<sup>§</sup> 1.0%  
TIDM code STS  
Reuters code STS.L  
Sedol code B09G3N2

<sup>^</sup>0.6% of the NAV of the company per annum, calculated quarterly.

<sup>§</sup>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
2012	122.0p	119.8p	(1.9%)	4.70p
2013	146.3p	141.8p	(3.2%)	4.75p
2014	144.8p	141.6p	(2.9%)	4.80p
2015	144.3p	152.9p	5.7%	4.90p
2016	135.0p	145.8p	7.4%	5.80p
2017	166.0p	178.0p	6.7%	5.95p

Past performance is not a guide to future returns.

## IMPORTANT INFORMATION

This information is issued and approved by Martin Currie Investment Management Limited. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested. 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 value of underlying net asset value of the shares.

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

Investment trusts may 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 majority of charges will be deducted from the capital of the company. This will constrain capital growth of the company in order to maintain the income streams.

The company employs an active but tactical options strategy by using derivatives, predominantly writing (selling) puts and covered calls for investment purposes, this being principally to generate income. This may be at the expense of generating capital gains.

A sold put option obligates an investor to take delivery, or purchase shares, of the underlying stock at a specified price within a specified time in return for receiving the payment of a premium.

Any use of derivatives for efficient portfolio management and options for investment purposes will be made on the basis of the same principals of risk spreading and diversification that apply to the company's direct investments.

**Martin Currie Investment Management Limited**, registered in Scotland (no SC066107) **Martin Currie Fund Management Limited**, registered in Scotland (no SC0104896). Registered office: Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES.

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Both companies are authorised and regulated by the Financial Conduct Authority. Please note that calls to the above number may be recorded.

## MANAGER'S BIOGRAPHY

Mark joined Martin Currie as Head of Income in November 2015. He manages Securities Trust of Scotland and co-manages the Martin Currie Global Equity Income strategy. Previously, Mark worked at Sarasin & Partners where he constructed and managed a range of income, balanced, growth, and absolute return portfolios; he became Lead Manager for their thematic funds in the Global Dividend Range in 2007, and latterly was appointed Head of Equity Income from 2010. Before Sarasin & Partners, he was a portfolio manager at stockbroker Capel Cure Sharp. Mark started his investment career at NatWest Stockbrokers in 1998 and is a member of the Chartered Institute for Securities & Investment (CISI).

## WEBSITE

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



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

