

31 OCTOBER 2017

PROFILE

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

PORTFOLIO

Sector allocation

	30 Sep	31 Oct
Financials	22.8%	24.2%
Information technology	12.9%	13.9%
Industrials	11.2%	12.2%
Materials	10.1%	10.2%
Healthcare	10.7%	8.6%
Real Estate	8.7%	8.6%
Consumer staples	8.7%	8.3%
Consumer discretionary	8.7%	7.2%
Energy	7.2%	7.0%
Utilities	3.9%	4.0%
Telecommunications	3.9%	3.8%
Cash	2.3%	2.7%
Active Options Exposure	1.2%	1.3%
Gearing [*]	(12.4%)	(12.0%)

Regional allocation

	30 Sep	31 Oct
North America	52.7%	51.7%
Europe	41.6%	43.0%
Asia Pacific ex Japan	9.0%	7.4%
Emerging Markets	6.8%	7.2%
Japan	0.0%	0.0%
Cash	2.3%	2.7%
Gearing [*]	(12.4%)	(12.0%)

Top 10 holdings

(29.1% of total portfolio)

Apple	3.5%
Microsoft	3.5%
Philip Morris International	3.0%
Chevron	3.0%
Taiwan Semiconductor	3.0%
ING Groep	2.8%
Givaudan	2.8%
Merck	2.5%
Huntington Bancshares	2.5%
Anthem	2.5%
Number of holdings	55
Number of countries	15

Key facts

Total net assets	£205.4m
Share price (p)	169.5
Net asset value per share (p)	183.3
Discount (premium)	7.5%
Historic net yield [†]	3.5%
Active Options Exposure [‡]	1.3%

PERFORMANCE

Cumulative performance over periods to 31 October 2017

	One month	Three months	Six months	One year	Three years	Five years
Share price	2.7%	2.7%	4.1%	11.2%	33.2%	61.5%
NAV	3.2%	3.6%	6.3%	12.3%	41.1%	80.1%
Peer group [^]	1.9%	2.4%	4.8%	9.0%	41.2%	80.0%

[^]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 were up in October in sterling terms, with the MSCI ACWI gaining 3.2%. At a regional level, Japan fared the best, while of the larger markets, Europe was a relative laggard. In sector terms, technology led the field, while telecoms and healthcare were weakest.

Against this backdrop, the company's NAV rose by 3.2%.

At a stock level, US tech giant Microsoft was the strongest performer over the period; positive results, driven in part by its intelligent cloud offering, show that it would be unwise to completely dismiss such 'older tech' firms as ex-growth. Another leading US technology firm Apple, was also among the top performers. Chip maker Taiwan Semiconductor also fared well, its earnings release highlighting positive factors from both a cyclical (its inventory correction is nearly over) and structural (new products) point of view.

On the other side, US pharmaceutical Merck was the main detractor, due to concerns over a delayed drug launch. Swiss pharma firm Roche was another notable negative, due to disappointing

third-quarter sales for certain drugs and the increasing threat of biosimilar drugs in Europe. Tobacco name Philip Morris also fared badly, its third-quarter results were weak due to an excise tax increase in Saudi Arabia and weak volumes and pricing in Russia. The firm was also impacted by the continuing strength of the US dollar (it is a non-dollar earner, but a dollar reporter).

In terms of portfolio activity, we bought multinational bank HSBC, Canadian insurance company Manulife, and French energy-management and automation specialist Schneider Electric. We sold Australian stock exchange ASX, US cinema chain Cinemark, advertising group Interpublic and Swiss pharmaceutical Roche. In terms of derivatives, we sold a put in German tyre manufacturer Continental.



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.

[†]Source for historic yield: Martin Currie as at 31 October 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.

[‡]As at 31 October 2017 the company's active options exposure amounted to 1.3% of the NAV. Please see Important Information for further details at the end of this document.

All sources (unless indicated): Martin Currie as at 31 October 2017.

CAPITAL STRUCTURE

Ordinary shares 112,084,114

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 2017¹ 0.6%
Ongoing charges 31 March 2017⁵ 1.0%
TIDM code STS
Reuters code STS.L
Sedol code BO9G3N2

¹ 0.6% of the NAV of the company per annum, calculated quarterly.

⁵ 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. 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

