



## Securities Trust of Scotland plc

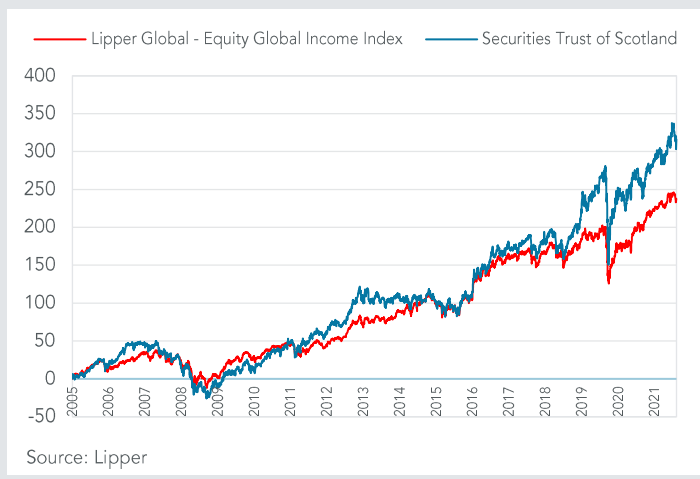
All data as at 31 January 2022

[www.stsplc.co.uk](http://www.stsplc.co.uk)

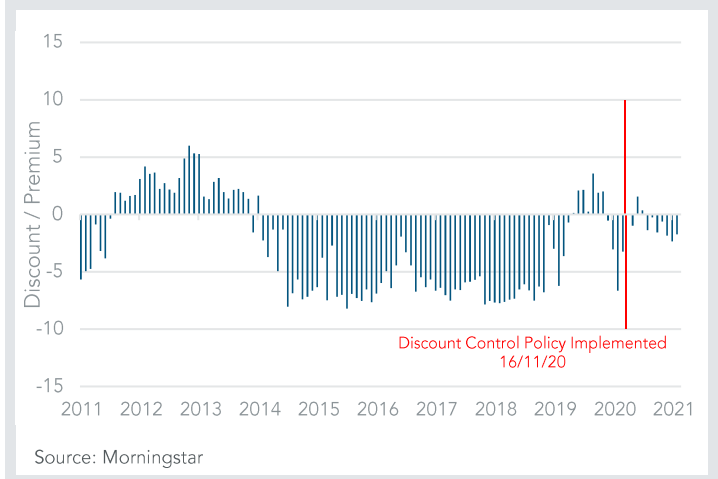
The investment objective of the Securities Trust of Scotland plc is to achieve rising income and long-term capital growth through investment in a balanced portfolio constructed from global equities.

<b>Price</b> <b>222.00p</b>	<b>NAV (ex Inc)</b> <b>223.92p</b>	<b>Historic Dividend Yield</b> <b>2.6%</b>
<b>Premium (Discount) to NAV</b> <b>-1.6%</b>	<b>Total Net/Gross Assets</b> <b>£226m/£241m</b>	

### Share Price Performance to 31 January 2022



### Share Price Discount / Premium to NAV



Total Return to 31 January 2022	Since Troy Appt*	31/01/17 5 years	31/01/19 3 years	31/01/21 1 year	31/07/21 6 months
Securities Trust of Scotland Share Price	+14.8%	+59.4%	+51.3%	+16.1%	+6.0%
Securities Trust of Scotland NAV	+14.1%	+55.7%	+44.2%	+18.3%	+5.2%
Lipper Global - Equity Global Income Index	+17.2%	+35.9%	+29.8%	+14.8%	+3.7%

\*Troy appointed Investment Manager 12 November 2020

Discrete Annual Total Returns	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
Securities Trust of Scotland Share Price	+0.8%	-5.4%	+35.8%	+6.8%	-7.9%	+39.3%	+3.1%	+15.4%	-4.3%
Securities Trust of Scotland NAV	+4.1%	+0.2%	+28.5%	+11.9%	-8.2%	+27.4%	+3.7%	+17.6%	-3.1%

Source: Lipper/Morningstar

Past performance is not a guide to future performance

### January Commentary

The Trust produced a Net Asset Value total return of -3.1% during the month and a price total return of -4.3%, compared to a return of -2.1% for the Lipper Global - Equity Global Income Index.

January has had a distinctly chilly feel to it in global capital markets. Years of accommodative policy, that could be prosecuted with abandon so long as inflation remained contained, suddenly looks finite.

We have long worried that policymakers have been too focused on price inflation while allowing asset inflation to rip. Not only is this likely to lead to unpleasant side effects such as inequality and the misallocation of capital but also leaves valuations vulnerable should it be necessary to reign in the supportive policy. That moment appears to have arrived.

This dynamic reached its zenith during COVID. The authorities, terrified by the potentially catastrophic economic effects of lockdowns

put in place policy, both fiscal and monetary, which they knew to be irresponsible – even reckless - but did not think they had a choice. Perhaps March 2020, rather than representing a cycle low, put in place the conditions to drive policy which created the cycle high.

Thus the 2 year treasury note in the US has moved from 0.2% in September to 1.17% at the end of this month as investors have anticipated rising short term interest rates. Interestingly longer term rates have been more measured with the US 10 year moving from 1.29% to 1.78% over the same period. As a result the yield curve has “flattened” suggesting that the mooted rate rises may precipitate a slowdown.

At the same time Central Banks around the world have indicated that they will cease and reverse quantitative easing.

All together this represents a far less emollient policy backdrop for risk assets and makes

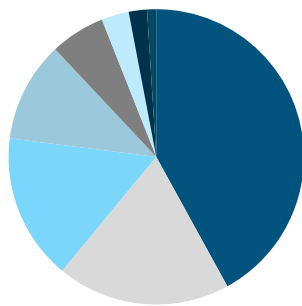
recent weakness in equity and credit markets unsurprising. It is likely that a normalisation of policy will lead to a normalisation of valuation which will be felt most keenly by the most fully priced assets.

Portfolio holding Unilever made the headlines this month. It has been a tough year for Unilever culminating in the failed attempt to buy the split off consumer assets from GlaxoSmithKline following investor dissatisfaction (shared by us).

The company is somewhat under a cloud as investors have worried that the business has suffered from sluggish execution, exposure to slow-growing categories and muddled communication. We believe these issues are all fixable. Longer term we consider Unilever to be an attractive asset for the global income growth investor which owing to the concerns outlined is attractively valued.

We are maintaining our investment.

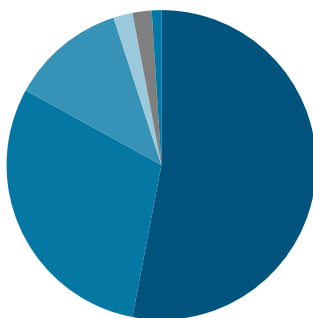
## Asset Allocation by Sector



- Consumer Staples 42%
- Information Technology 19%
- Health Care 16%
- Financials & Real Estate 11%
- Industrials 6%
- Consumer Discretionary 3%
- Communication Services 2%
- Cash 1%

Source: Factset. Asset Allocation subject to change

## Asset Class by Geography



- North America 53%
- United Kingdom 30%
- Europe ex UK 12%
- Asia Pacific ex Japan 2%
- Japan 2%
- Cash 1%

Source: Factset. Asset Allocation subject to change

Top 10 holdings	% Trust
British American Tobacco	6.4
Philip Morris International	5.4
Paychex	5.0
Unilever	4.6
CME Group	4.5
PepsiCo	4.5
Reckitt Benckiser	4.5
Diageo	4.3
ADP	4.5
Microsoft	4.0
<b>Total Top 10</b>	<b>47.5</b>
23 other holdings	51.7
Cash	0.8
<b>TOTAL</b>	<b>100.0</b>

Source: Factset. Holdings subject to change

## Trust information

<b>Structure</b> London Listed Investment Trust	<b>Capital Structure</b> Shares with voting rights 100,030,075 Shares held in treasury 22,269,073	<b>Historic Dividend Yield (trailing 12 months)</b> 2.6% Q2 2020/21 1.575p Q1 2020/21 1.375p Q4 2019/20 1.375p Q3 2019/20 1.375p
<b>Board</b> <b>Chairman</b> John Evans <b>Non-Executive Director</b> Mark Little <b>Non-Executive Director</b> Angus Gordon Lennox <b>Non-Executive Director</b> Sarah Harvey <b>Non-Executive Director</b> Angus Cockburn	<b>Net Assets</b> £226m <b>Gross Assets</b> £241m <b>Ongoing Charges</b> Ordinary shares: 0.92% (31.03.21)	<b>Dividend Payments</b> January, April, July, October <b>Market Makers:</b> JPMORGAN, NUMIS, WINTERFLOOD, INVESTEC, PANMURE, PEEL HUNT
<b>Investment Manager</b> Troy Asset Management Limited 33 Davies Street London W1K 4BP Tel: 020 7499 4030 Fax: 020 7491 2445 email: info@taml.co.uk	<b>Management Fee</b> 0.65% <b>Allocation of Expense and Interest</b> Capital 65% Revenue 35%	<b>Bloomberg/Epic/Reuters Code</b> STS <b>Sedol</b> B09G3N2 <b>AIFM</b> Juniper Partners Limited
<b>Manager</b> James Harries	<b>Mandate Established</b> 2005 <b>Year End</b> 31 March <b>Premium (Discount)</b> -1.6%	<b>Pricing</b> Share price is listed daily in the FT <b>Auditor</b> Ernst & Young LLP
<b>Benchmark</b> Lipper Global Equity Global Income Index	<b>Gearing</b> 7% <b>Currency</b> £ Sterling	

### Important Information

Please refer to Troy's Glossary of Investment terms [here](#). The Trust can use gearing to purchase assets for the Trust; the use of this facility will have the effect of magnifying any gains or losses made. Asset allocation and holdings information is based on the gross assets. All performance data is calculated net of fees, unless otherwise stated. The Trust is registered for distribution to the public in the UK and to professional investors only in Ireland. All references to benchmarks are for comparative purposes only. The views expressed in this document are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The information contained within this document does not constitute investment advice or an offer to invest or to provide discretionary investment management services and should not be used as the sole basis of any investment decision. Should you wish to obtain financial advice, please contact a professional advisor. The historic dividend yield reflects distributions declared over the past twelve months as a percentage of the Trust's price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. The historic dividend yield is not guaranteed and will fluctuate. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Although Troy Asset Management Limited ("Troy") considers the information included in this document to be reliable, no warranty is given as to its accuracy or completeness. The opinions expressed are expressed at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice. Past performance is not a guide to future performance. The investments discussed may fluctuate in value and investors may get back less than they invested. Overseas investments may be affected by movements in currency exchange rates. The investment policy and process of the Trust may not be suitable for all investors. Third party data is provided without warranty or liability and may belong to a third party. Issued by Troy Asset Management Limited, 33 Davies Street, London W1K 4BP (registered in England & Wales No. 3930846). Registered office: Hill House, 1 Little New Street, London EC4A 3TR. Authorised and regulated by the Financial Conduct Authority (FRN: 195764).