



## 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

Active Options Exposure means that allocations may not total 100%.

### Sector allocation

|                                      | 30 Apr  | 31 May  |
|--------------------------------------|---------|---------|
| Information technology               | 18.6%   | 20.9%   |
| Communication services               | 14.0%   | 13.8%   |
| Consumer staples                     | 13.2%   | 12.8%   |
| Industrials                          | 11.6%   | 11.7%   |
| Financials                           | 11.4%   | 10.8%   |
| Materials                            | 10.8%   | 10.8%   |
| Healthcare                           | 10.4%   | 10.3%   |
| Real Estate                          | 7.3%    | 7.7%    |
| Utilities                            | 5.1%    | 5.0%    |
| Consumer discretionary               | 4.6%    | 4.6%    |
| Cash                                 | 4.6%    | 5.0%    |
| Active Options Exposure <sup>‡</sup> | -       | 0.2%    |
| Gearing*                             | (13.8%) | (13.5%) |

### Regional allocation

|                                      | 30 Apr  | 31 May  |
|--------------------------------------|---------|---------|
| North America                        | 46.7%   | 49.1%   |
| Europe                               | 44.5%   | 42.1%   |
| Emerging Markets                     | 11.6%   | 11.1%   |
| Asia Pacific ex Japan                | 6.3%    | 6.1%    |
| Cash                                 | 4.6%    | 5.0%    |
| Active Options Exposure <sup>‡</sup> | -       | 0.2%    |
| Gearing*                             | (13.8%) | (13.5%) |

### Top 10 holdings

(41.6% of total portfolio)

|                        |      |
|------------------------|------|
| Microsoft              | 6.3% |
| Sanofi                 | 4.5% |
| Crown Castle           | 4.4% |
| Koninklijke DSM        | 4.2% |
| Verizon Communications | 4.1% |
| Taiwan Semiconductor   | 4.0% |
| Samsung Electronics    | 4.0% |
| Lockheed Martin        | 3.7% |
| Civitas Social Housing | 3.2% |
| Danone                 | 3.2% |
| Number of holdings     | 40   |
| Number of countries    | 13   |

### Key facts

|                                      |         |
|--------------------------------------|---------|
| Total net assets                     | £192.1m |
| Share price (p)                      | 187.0   |
| Net asset value per share (p)        | 183.3   |
| Discount (premium)                   | (2.0%)  |
| Historic net yield <sup>†</sup>      | 3.3%    |
| Active Options Exposure <sup>‡</sup> | 0.2%    |

## PERFORMANCE

### Cumulative performance over periods to 31 May 2020

|                         | One month | Three months | Six months | One year | Three years | Five years |
|-------------------------|-----------|--------------|------------|----------|-------------|------------|
| Share price             | 4.2%      | (0.2%)       | (6.0%)     | 12.0%    | 22.7%       | 60.5%      |
| NAV                     | 4.1%      | (1.9%)       | (7.7%)     | 2.4%     | 12.1%       | 44.6%      |
| Peer group <sup>^</sup> | 4.5%      | 0.0%         | (6.7%)     | 0.5%     | 7.2%        | 36.9%      |

<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 Q1 2020 | To end Q1 2019 | To end Q1 2018 | To end Q1 2017 | To end Q1 2016 |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Share price | 2.7%           | 9.6%           | 0.2%           | 27.7%          | (2.2%)         |
| NAV         | (8.3%)         | 11.4%          | (1.1%)         | 26.7%          | (0.8%)         |

### 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.

## MANAGERS' COMMENTARY

Crown Castle, the US provider of communications infrastructure, was the biggest absolute contributor after it reaffirmed full-year guidance and limited disruption to its highly visible rental revenues. In a month when the tech sector was strong, US multinational technology conglomerate Cisco Systems was another notable positive. This performance came on the back of solid quarterly results which demonstrated good stability in revenue, gross margin and order momentum. Elsewhere, real estate investment trust Civitas Social Housing and Dutch health multinational DSM also fared well.

Looking at the other side, Leggett & Platt, a US diversified manufacturer that designs and produces various engineered components, was the biggest drag on portfolio performance. Elsewhere, COVID-related and political considerations caused pan-Asian insurer AIA to underperform in May. With regard to the former, lockdowns in Hong Kong and the ASEAN region are having a negative short-term impact on new business volumes (with an increasing likelihood that the value of new business growth in 2020 will now be slightly negative). However, we expect AIA will have a strong recovery next year and markets will, in the coming months, start to discount this. Meanwhile, UK brick manufacturer Ibstock also struggled as returning demand for its products is likely to be gradual.

In terms of portfolio activity, we bought construction equipment manufacturer Caterpillar, which has an attractive organic growth profile and a shareholder friendly approach to dividends. Also added to the portfolio was Broadcom, which supplies semiconductor and infrastructure software products. There were two sales during the month. We exited our position in energy firm Chevron because the impacts of another oil price war combined with the COVID-19 pandemic puts the firm's dividend sustainability at risk. Meanwhile, a drop in conviction due to of sales and margin pressures meant that security services company Securitas was also sold.



Mark Whitehead

<sup>‡</sup>For further information on Options please refer to Important Information overleaf.

<sup>†</sup>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 31 May 2020. 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.

## CAPITAL STRUCTURE

Ordinary shares 104,759,937

## BOARD OF DIRECTORS

John Evans (chairman) Angus Gordon Lennox  
Mark Little Sarah Harvey

## KEY INFORMATION

Year end 31 March  
Annual general meeting September  
Interim dividends paid January, April, July, October<sup>#</sup>  
Ongoing charges 30 September 2020<sup>\$</sup> 0.9%  
Investment management fee<sup>#</sup> 0.6% up to £200m  
0.4% over £200m  
(of net assets plus gearing)  
TIDM code STS  
Reuters code STS.L  
Sedol code B09G3N2

<sup>#</sup>From 1 April 2018.

<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 |
|----------------|-------------|---------------|---------------------|--------------------|
| 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              |
| 2018           | 160.5p      | 170.0p        | 5.6%                | 6.10p              |
| 2019           | 169.5p      | 183.3p        | 7.5%                | 6.25p              |

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 of 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.

### Morningstar Rating for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods—three-, five-, and 10 years—and these ratings are combined to produce an overall rating. Funds with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying funds worthy of further research, but shouldn't be considered buy or sell recommendations.

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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 Whitehead

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)

