

# Securities Trust of Scotland

Trust update

## New issuance approved

It has been two years since shareholders passed the resolution to move Securities Trust of Scotland (STS) to a global (previously UK) mandate, with Alan Porter taking over as manager from 1 August 2011. These changes were well received, with the discount narrowing, and the trust has continued to experience strong demand for its shares. As a consequence, the trust has now sought and received approval to issue up to 100m new shares.

12 months ending	Total share price return* (%)	Total NAV return* (%)	Total return Blended Benchmark* (%)	Total return MSCI World High Yield* (%)	Total return MSCI World* (%)	Total return FTSE All-Share* (%)
31/08/10	8.8	13.4	10.6	9.8	8.2	10.6
31/08/11	19.5	13.4	11.6	11.1	8.6	7.3
31/08/12	24.8	14.4	12.5	12.5	11.5	10.2
31/08/13	14.7	18.2	18.3	18.3	21.5	18.9

Note: \*Twelve-month rolling discrete performance. Blended Benchmark index is the FTSE All-Share index until 31 July 2011 and MSCI World High Dividend Yield index thereafter.

## EGM authorises issue of up to 100m new shares

At an EGM held on 23 August 2013, the board received approval to issue up to 100 million new shares. This is an extension to the 10.1 million shares already issued by the company in the last 12 months, reflecting a strong appetite for the trust.

## Investment strategy: High-yield global equities

STS is managed using a predominantly bottom-up investment style, supported by macro analysis. There are no formal country, sector or stock market restrictions and the portfolio is relatively concentrated in 50 stocks. STS pays quarterly dividends and has a significant income requirement. The manager employs buy/sell disciplines based primarily on sustainable yield. Portfolio holdings must have a prospective yield greater than the MSCI World index, which currently yields 2.5%. Holdings are sold if the yield falls below 75% of that of the MSCI World.

## Performance: Outperformance under new mandate

During the two years since the mandate change (ie to 31 July 2013), STS has returned 50.3% in terms of share price total return and 35.2% in terms of NAV total return, outperforming its benchmark MSCI World High Dividend Yield index, which returned 34.7% during the same period.

## Valuation: Consistently trading at a premium

The trust has traded at a gradually rising premium during the past 20 months. STS now trades at a cum-fair premium of 2.5% (three- and five-year averages are discounts of 1.1% and 3.5% respectively). STS's premium compares with an average premium for the global growth and income sector of 13.7%. STS's yield at 3.3% remains attractive relative to the market, although marginally lower than the growth and income sector average of 3.6%.

## Investment trusts

13 September 2013

**Price** 145p  
**Market cap** £165m  
**AUM** £172m

NAV\* 140.26p  
 Premium to NAV 3.4%  
 NAV\*\* 141.49p  
 Premium to NAV 2.5%  
 Yield 3.3%

\*Adjusted for debt at market value and excluding income, as at 10 September 2013. \*\*Adjusted for debt at market value, including income, as at 10 September 2013.

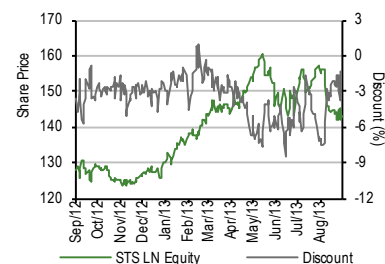
Ordinary shares in issue 113.9m

Code STS

Primary exchange LSE

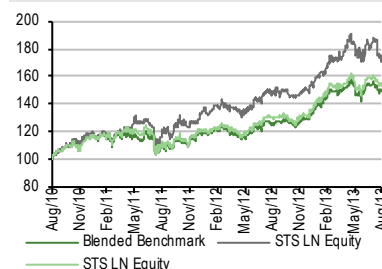
AIC sector Global Growth & Income

## Share price/discount performance



Positive values indicate a discount; negative values indicate a premium.

## Three-year cumulative perf. graph



52-week high/low 160.5p 123.75p

NAV\* high/low 148.8p 116.5p

\*Adjusted for debt at market value, excluding income.

## Gearing

Gross 6.2%

Net 3.2%

## Analysts

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