SAINTS ANNUAL UPDATE

Investment manager James Dow gives un update on the The Scottish American Investment Company P.L.C.

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A Key Information Document for SAINTS is available by visiting www.bailliegifford.com.

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What were the highlights of 2019 for SAINTS?

The two standout features of 2019 were firstly the performance of the portfolio, which was strong, and secondly, the trust's 40th consecutive year of dividend growth.

So if we start with the portfolio. The share price of the company rose by approximately 25 per cent, outperforming global equities. And the equity portfolio delivered a particularly strong performance. Now, that was partly driven by the fact that equity markets globally rose very healthily last year. But what was especially pleasing to see was the operational performance of the companies that we invest in. That was also really encouraging.

So to give you some examples: Microsoft had an excellent year of growth from its cloud storage business; its earnings per share grew by more than 20 per cent, and it raised its dividend by 9 per cent.

Anta Sports, to take another example, that's the Chinese trainers and sportswear company, had another year of really strong profit growth as it introduced new product lines.

And B3, which is the dominant securities exchange in Brazil, a longstanding holding for SAINTS, posted really strong growth in revenue during the year: with the dividend growing by more than 12 per cent.

SAINTS dividend growth was the second standout from 2019.

The Board increased the dividend to 11.875 pence per share. That was growth of 3.3 per cent, more than double the rate of UK inflation last year.

The rise in the dividend was supported by the healthy returns as well as the earnings growth of the portfolio. And it marked SAINTS' 40th consecutive year of dividend growth.

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Past performance is not a guide to future returns.

How did the property and bond portfolios perform?

Our property and fixed income portfolios also had a good year. The property portfolio was especially encouraging to see, because it posted solid capital growth despite quite a challenging period for some parts of the property market. The big story there has been that our property manager made an excellent decision a few years ago to disinvest from high street retail properties and focus instead on industrial properties. And that continued to pay off really well in 2019 with solid portfolio growth well ahead of the wider market.

What impact do you see from sterling currency movements this year?

If you look at where the pound is trading today, in early 2020, it has strengthened somewhat compared with the average exchange rate in 2019.

If we assume that exchange rates are unchanged for the rest of this year, then all else equal that will be a bit of a headwind for SAINTS dividend growth this year.

But on the other hand, we always focus on investing in growth companies. So our hope is very much that, although sterling could be a bit of a headwind this year, we should still be able to deliver dividend growth year on year.

What transactions have you made in the portfolio since the last update?

In the past six months we've made three new purchases. It might surprise some people that we've only purchased three new investments in that time period but that very much reflects our low turnover approach, trying to own great businesses for the long term.

And reflecting our global approach, they all come from different parts of the world.

First is Amadeus, a travel software business. We're excited about its revenue growth potential worldwide, selling software to airlines and hotels, two customer types who are keen to upgrade their software and that offers good growth opportunities for Amadeus's earnings and dividends.

The second is Carsales.com, which is based in Australia. Carsales is effectively the AutoTrader of the Aussie market, and we see lots of potential for it to grow its business, much as AutoTrader has done in the UK. The days of print media and billboards are increasingly over, and online advertising is very much the future, and that's where Carsales.com is really strong.

And then lastly Schneider Electric, which is headquartered in France but has operations all over the world. They are a leader in electrification equipment: chances are that as you're watching this video, it's being supported by a data centre somewhere in the world, with Schneider's equipment in it. Our expectation is that, because businesses all over the world are looking at their electricity consumption, partly because of climate change but also because of efficiency and security interests, Schneider Electric should deliver solid, resilient earnings and dividend growth over the next several years.

So, three new purchases, but all very much in line with SAINTS approach, which is to invest globally, to deliver a growing and resilient dividend to shareholders. Heading into a new decade, we're confident that the exceptional companies in SAINTS' portfolio are the right ones to deliver robust income and growth to shareholders for many years to come.

Past Performance to 31 December each year

	2015	2016	2017	2018	2019
Scottish American Investment Company P.L.C share price performance (%)	9.2	28.7	17.2	-1.6	25.1
Total dividend per ordinary share (net) – (pence per share)	10.70	10.825	11.10	11.50	11.875

Source: Baillie Gifford & Co, Morningstar and underlying providers.

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The trust invests in overseas securities and changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

The trust invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

SAINTS has some direct property investments, which may be difficult to sell. Valuations of property are only estimates based on the valuer's opinion. These estimates may not be achieved when the property is sold.

The trust can borrow money to make further investments (sometimes known as "gearing" or "leverage"). The risk is that when this money is repaid by the trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the trust will make a loss. If the trust's investments fall in value, any invested borrowings will increase the amount of this loss.

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