

# RNS Announcement

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## The Scottish American Investment Company P.L.C. (SAINTS)

**Legal Entity Identifier: 549300NF03XVC5IFB447**

**Regulated Information Classification: Interim Financial Report.**

### Results for the six months to 30 June 2021

- SAINTS has delivered a strong net asset value total return (borrowings at fair value) over the first six months of 2021, returning 11.3%. Over the same period, global equities\* returned 11.4%, whilst the Global Equity Income sector return was 10.6%. Over the past five years the Company has significantly outperformed its sector, delivering 107.3% against the sector's 69.8%.†
- The property portfolio delivered a 12.9% return, with a significant contribution from the sale of its largest holding, a data centre in Milton Keynes, at a large premium to its book value.
- SAINTS' revenues per share over the period were 6.74p compared to 6.09p for the equivalent period last year. The resilience of the Company's revenues in another challenging period has been helped by the Manager's emphasis on dependability and growth, and the robust underlying dividend growth of the Company's holdings.
- The Company has declared a second interim dividend of 3.075p. Taken with the first interim dividend, the dividends over the period of 6.125p represent an increase of 2.1% over the amount paid for the equivalent period in 2020.
- To satisfy market demand the Company issued over £43m of shares over the period at a premium to Net Asset Value, and the Company has borrowed an additional £15m at 2.23%.
- The Board and the Managers are optimistic about SAINTS' long term prospects for resilient income growth.

\* FTSE All-World Index

† Source: Morningstar/Baillie Gifford and relevant underlying service providers. See disclaimer at end of this announcement

## Interim Management Report

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The Company has continued to make good progress over the first half of the year. The net asset value total return (with borrowings at fair value) for the first six months of 2021 was 11.3%. This was almost in line with the total return on global equities (11.4%), as measured by the FTSE All-World Index. The share price total return was 7.2%.

The main driver of total returns in any one period is our global equity portfolio, which delivered an 11.0% total return over the first half, as confidence in the economic recovery from the pandemic continued to build. Notable contributors included two of our logistics holdings, UPS and Kuehne + Nagel: both companies benefited from the rapid rebound in global trade, as companies sought to respond to pent-up consumer demand. The property portfolio delivered a 12.9% return, with a big contribution from the sale of our largest holding, the data centre in Milton Keynes, at a large premium to its book value. Within the bond portfolio, the income return was offset by a modest decline in the capital value, driven by rising inflation and interest rate expectations.

Earnings per share also increased, from 6.09p to 6.74p. There have been two main drivers of this increase in earnings, which we will discuss at more length in this report.

### **Growth from the equity portfolio**

The bulk of the Company's net asset value is invested in a portfolio of shares in growing companies, that we expect to pay dividends as they grow. Last year was a real test of the resilience of these companies, as the pandemic devastated most economies, and so affected many companies' operations. As we discussed in 2020's Annual Report, by and large the portfolio's holdings came through this test strongly, with robust trading – and the vast majority were able to maintain or increase their dividends over the course of last year.

This strong operational performance has for the most part continued. As our holdings have reported their results during the first half of 2021, many have told us that demand is recovering strongly, and that they are well-positioned to continue growing. Boards have therefore had the confidence to keep increasing dividends. The table below shows the distribution of dividend growth, based on SAINTS' holdings as at the end of last year:

	<b>Decline</b>	<b>Unchanged</b>	<b>1-5%</b>	<b>5-10%</b>	<b>10-15%</b>	<b>≥15%</b>
Portfolio weight	2%	16%	30%	22%	19%	11%

On average, dividend increases announced by our holdings in the first half averaged around 6.5%. Over half the portfolio increased their dividends by more than 5%, and over 30% increased their dividends by 10% or more. In addition, companies such as T. Rowe Price, Rio Tinto, AVI and Admiral have announced special dividends. This is an encouraging statement of confidence about the future.

One theme has been that the operational results reported by our holdings over the course of the first half have been stronger than even the most upbeat expectations. In some cases this may simply reflect re-stocking in the supply chain, or a bounce back from a weak period last year. But in several cases, we think it reflects the fact that our holdings have made real inroads with their customers over the course of the pandemic, and are reaping the benefits of investments that they've made in their brands and their proposition. To take two examples: Anta Sports announced that sales for their sportswear products in China grew by 45% over the first half of 2021, suggesting that they are continuing to take market share. Closer to home, credit bureau Experian has typically been a company that reports mid-single digit revenue growth. Our investment case is that over time this growth rate will accelerate, as they reap the benefits of investments they have made in new software tools and other services, which we think will help them do much more for their customers. They have just reported 22% organic revenue growth during their first quarter. We could say something similar of a number of our holdings, in a wide range of different geographic markets around the world.

The question we are asking ourselves at the moment is – how might we increase the growth potential of the equity portfolio further? The glass half-empty reading of the table above is that 46% of the portfolio increased their dividends by less than 5%. This continues to be an exceptional and uncertain period, and we don't wish to extrapolate it – and companies such as Roche and Schneider were very resilient dividend payers last year. However, over time our aim is to skew the portfolio to faster growing companies. That in turn is what will allow SAINTS to grow its dividend at a progressively faster rate.

So where are the companies that are going to deliver truly terrific growth over the coming 5-10 years? We hope that a number are already in the portfolio – whether it's Chinese gaming business Netease, or lithium producer Albemarle, or semiconductor designer Analog Devices. But we are continuing to broaden our search for growth, into different types of company, and into markets where the underlying growth may be faster.

During the first half we added one Taiwanese name to the portfolio, which we think fits this profile. TCI Bio is a Taiwanese manufacturer of ingredients for cosmetics and so-called “nutraceuticals”, which are foods and drinks with a targeted health benefit. The company has grown rapidly in the past several years, thanks to the vision and drive of its CEO, under whose management the company was early to invest in the research and development of plant-based ingredients. We anticipate that as the company's scientists' continued innovation leads to new healthy products, TCI's sales and profit will continue to grow.

### **Non-equity investments**

A second driver of earnings growth for SAINTS has been the contribution from our non-equity investments. Our strategy is to hold the bulk of SAINTS' investments in equities, because they are the best asset class for delivering growth in both income and capital that runs well ahead of inflation over time. However, alongside this we hold a portfolio of other income generating assets, largely funded by fixed rate long-term borrowings. Over recent years the bulk of this has been invested in our UK commercial property portfolio, managed by OLIM – with very strong results, as we will discuss below. However, as SAINTS' net assets have grown through issuance, we have been seeking to diversify and upgrade the pool of other income generating assets that we hold alongside the equity portfolio.

The first part of call has been building a portfolio of bonds that we believe will diversify SAINTS' exposures over time. Here we are either lending to high-yield companies, where we believe the underlying credit is robust, or to governments in developing countries where we believe the national finances are robust. In both cases, we are building on the best ideas of our fixed income investment colleagues at Baillie Gifford, while keeping the size of each individual credit exposure small. These two buckets combined represents around 5.4% of SAINTS' total assets, and have contributed to the increase in interest income over the period.

Healthy performance by the Company's investments, combined with issuance, has meant that SAINTS' gearing has fallen materially over recent years. Given the low long-term borrowing costs currently available to SAINTS, the Board decided to modestly re-gear the Company by borrowing an additional £15m from the Pension Insurance Corporation. The new notes carry an interest rate of 2.23%, and have a 15 year maturity.

The additional borrowings have been used to start building a small basket of listed infrastructure investments, alongside our bonds and property portfolios. The attraction of these investments is the inflation-linked income streams they offer, backed by very resilient cash flows, which have a low correlation with the income we receive from the equity portfolio. As ever, we are focusing on high quality operators with strong management teams.

At the start of this report we mentioned the good performance of the property portfolio. Within this the key contributor was the sale of a data centre in Milton Keynes to a listed property vehicle, for £23.9m. This represented a 45.9% premium to the data centre's last valuation. SAINTS purchased this property in 2017 for £16.3m, and over the period of our ownership it has delivered a return of more than 17% p.a. OLIM, who manage the property portfolio, have a pessimistic view on the future value of most office and retail properties, but the managers have done an excellent job of positioning SAINTS' portfolio away from these troubled subsectors while focusing on idiosyncratic opportunities like the data centre. They also have a bias towards long duration inflation-linked leases with strong covenants, a good fit with SAINTS' objectives. OLIM are hoping to find new opportunities to reinvest the proceeds of the Milton Keynes sale in due course.

## **Sustainability**

Readers may have seen that SAINTS has set out its ESG policy with greater clarity. In practice this has been a case of putting into words what the Board and Managers have been doing for many years. Our focus as stock-pickers is on companies where we believe that income streams will be sustainable over the long-run, to match our long-term time horizon and investment philosophy. This long-term orientation gives us some ability to influence companies, who know that we are genuinely long-term thinkers. We try to use this as constructively as possible.

This year our engagements with management teams at SAINTS' holdings have spanned a wide range of issues, such as labour rights in companies' supply chains, how they report and manage their climate exposure, data privacy, government relations, and how companies can reduce their packaging footprint. A common thread of these engagements has been encouraging our holdings to be ambitious in how they address the challenges in their business, even if that may incur some short-term cost: we believe that in the long run, being proactive is likely to strengthen their business, and deliver more durable income streams.

Most of your holdings 'get' this. One refreshing conversation we had this year was with the management of Nestlé. Like a growing number of holdings in the portfolio, Nestlé have announced an ambitious Net Zero climate goal, as well as substantial investments into improving the recyclability of their packaging around the world. The Chief Financial Officer was willing to put a number on these investments (CHF 1bn p.a.), but also to explain why they see these as a core part of their day-to-day operations, and essential to remain relevant to their consumers. Gone are the days when sustainability projects were just treated as a PR exercise. We have strongly supported Nestlé here - and challenged them on whether there is scope to go further, especially on packaging.

## **Outlook**

Markets have short memories. A year ago, the fear was a permanent collapse in demand. As we've discussed above, this demand is now evidently recovering – and so now the concern has turned to whether meeting a rapid increase in demand for all sorts of products and services might unleash a sustained bout of inflation. Indeed, this is already visible from looking at bottlenecks in freight markets, or shortages of building materials.

We don't think we have much to add on what the future path of inflation may be – and we'd caution against trusting those who express too much confidence around this. However, we do strongly believe that over the long run the best defence is likely to be investing in companies where, due to strong underlying demand for their superior products and services, profit and dividend growth is likely to run significantly ahead of whatever the CPI figure might be. Finding these companies continues to be our focus, and to us it seems that the opportunity set is only getting larger and more exciting.

Baillie Gifford & Co  
29 July 2021

\* *See disclaimer at the end of this announcement.*

***Past performance is not a guide to future performance.***

# The Scottish American Investment Company P.L.C.

## Responsibility Statement

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We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
Peter Moon  
Chairman  
29 July 2021

# The Scottish American Investment Company P.L.C.

## Income Statement (unaudited)

	For the six months ended 30 June 2021			For the six months ended 30 June 2020			For the year ended 31 December 2020 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on sales of investments - securities	-	<b>9,989</b>	<b>9,989</b>	-	(19,857)	(19,857)	-	(9,451)	(9,451)
Gains on sales of investments – property	-	<b>7,419</b>	<b>7,419</b>	-	-	-	-	-	-
Changes in fair value of investments - securities	-	<b>54,848</b>	<b>54,848</b>	-	22,586	22,586	-	82,565	82,565
Changes in fair value of investments - property	-	<b>860</b>	<b>860</b>	-	(1,550)	(1,550)	-	42	42
Currency gains/(losses)	-	<b>64</b>	<b>64</b>	-	(212)	(212)	-	(291)	(291)
Income – dividends and interest	<b>11,963</b>	-	<b>11,963</b>	9,579	-	9,579	18,077	-	18,077
Income – rent and other	<b>2,677</b>	-	<b>2,677</b>	2,708	-	2,708	5,491	-	5,491
Management fees (note 3)	<b>(465)</b>	<b>(1,394)</b>	<b>(1,859)</b>	(509)	(946)	(1,455)	(1,097)	(2,037)	(3,134)
Other administrative expenses	<b>(737)</b>	-	<b>(737)</b>	(799)	-	(799)	(1,221)	-	(1,221)
<b>Net return before finance costs and taxation</b>	<b>13,438</b>	<b>71,786</b>	<b>85,224</b>	10,979	21	11,000	21,250	70,828	92,078
Finance costs of borrowings	<b>(692)</b>	<b>(2,076)</b>	<b>(2,768)</b>	(976)	(1,813)	(2,789)	(1,952)	(3,626)	(5,578)
<b>Net return on ordinary activities before taxation</b>	<b>12,746</b>	<b>69,710</b>	<b>82,456</b>	10,003	(1,792)	8,211	19,298	67,202	86,500
Tax on ordinary activities	<b>(1,473)</b>	<b>415</b>	<b>(1,058)</b>	(917)	131	(786)	(1,779)	424	(1,355)
<b>Net return on ordinary activities after taxation</b>	<b>11,273</b>	<b>70,125</b>	<b>81,398</b>	9,086	(1,661)	7,425	17,519	67,626	85,145
<b>Net return per ordinary share (note 4)</b>	<b>6.74p</b>	<b>41.94p</b>	<b>48.68p</b>	6.09p	(1.11p)	4.98p	11.41p	44.04p	55.45p
Note: Dividends paid and payable per share (note 5)	6.125p			6.00p			12.00p		

The accompanying notes below are an integral part of the Financial Statements.

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statements derive from continuing operations.

A Statement of Comprehensive income is not required as all gains and losses of the Company have been reflected in the above statement.

# The Scottish American Investment Company P.L.C.

## Balance Sheet (unaudited)

	At 30 June 2021 £'000	At 31 December 2020 (audited) £'000
<b>Non-current assets</b>		
Investments - securities	<b>853,805</b>	718,644
Investments – property	<b>69,500</b>	84,900
Deferred expenses	<b>207</b>	207
	<b>923,512</b>	803,751
<b>Current assets</b>		
Debtors	<b>3,643</b>	2,531
Cash and deposits	<b>22,545</b>	9,701
	<b>26,188</b>	12,232
<b>Creditors</b>		
Amounts falling due within one year:		
Debenture stock (note 7)	<b>(80,672)</b>	-
Other creditors and accruals	<b>(8,292)</b>	(3,713)
	<b>(88,964)</b>	(3,713)
<b>Net current assets</b>	<b>(62,776)</b>	8,519
<b>Total assets less current liabilities</b>	<b>860,736</b>	812,270
<b>Creditors</b>		
Amounts falling due after more than one year:		
Debenture stock (note 7)	-	(81,108)
Loan notes (note 7)	<b>(14,923)</b>	-
	<b>(14,923)</b>	(81,108)
<b>Net assets</b>	<b>845,813</b>	731,162
<b>Capital and reserves</b>		
Share capital	<b>42,946</b>	40,649
Share premium account	<b>153,876</b>	112,751
Capital redemption reserve	<b>22,781</b>	22,781
Capital reserve	<b>608,700</b>	538,575
Revenue reserve	<b>17,510</b>	16,406
<b>Shareholders' funds</b>	<b>845,813</b>	731,162
Net asset value per ordinary share*	<b>492.4p</b>	449.7p
Ordinary shares in issue (note 8)	<b>171,785,943</b>	162,595,943

\* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

*The accompanying notes below are an integral part of the Financial Statements.*

# The Scottish American Investment Company P.L.C.

## Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2021	40,649	112,751	22,781	538,575	16,406	<b>731,162</b>
Shares issued	2,297	41,125	-	-	-	<b>43,422</b>
Net return on ordinary activities after taxation	-	-	-	70,125	11,273	<b>81,398</b>
Dividends paid (note 5)	-	-	-	-	(10,169)	<b>(10,169)</b>
<b>Shareholders' funds at 30 June 2021</b>	<b>42,946</b>	<b>153,876</b>	<b>22,781</b>	<b>608,700</b>	<b>17,510</b>	<b>845,813</b>

For the six months ended 30 June 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2020	36,880	52,535	22,781	470,949	17,343	<b>600,488</b>
Shares issued	1,583	23,995	-	-	-	<b>25,578</b>
Net return on ordinary activities after taxation	-	-	-	(1,661)	9,086	<b>7,425</b>
Dividends paid (note 5)	-	-	-	-	(8,985)	<b>(8,985)</b>
<b>Shareholders' funds at 30 June 2020</b>	<b>38,463</b>	<b>76,530</b>	<b>22,781</b>	<b>469,288</b>	<b>17,444</b>	<b>624,506</b>

\* The Capital Reserve balance at 30 June 2021 includes investment holding gains of £332,141,000 (30 June 2020 – gains of £214,862,000).

*The accompanying notes below are an integral part of the Financial Statements.*

# The Scottish American Investment Company P.L.C.

## Cash Flow Statement (unaudited)

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	<b>82,456</b>	8,211
Net gains on investments - securities	<b>(64,837)</b>	(2,729)
Net (gains)/losses on investments - property	<b>(8,279)</b>	1,550
Currency (gains)/losses	<b>(64)</b>	212
Finance costs of borrowings	<b>2,768</b>	2,789
Overseas withholding tax	<b>(1,004)</b>	(791)
Changes in debtors and creditors	<b>(1,661)</b>	(913)
Other non-cash changes	<b>106</b>	13
<b>Cash from operations</b>	<b>9,485</b>	8,342
Interest paid	<b>(3,200)</b>	(3,200)
<b>Net cash inflow from operating activities</b>	<b>6,285</b>	5,142
<b>Cash flows from investing activities</b>		
Acquisitions of investments	<b>(81,333)</b>	(57,272)
Disposals of investments	<b>39,574</b>	35,084
<b>Net cash outflow</b>	<b>(41,759)</b>	(22,188)
Equity dividends paid	<b>(10,169)</b>	(8,985)
Shares issued	<b>43,423</b>	25,578
Loan notes drawn down	<b>15,000</b>	-
<b>Net cash inflow from financing activities</b>	<b>48,254</b>	16,593
Increase/(decrease) in cash and cash equivalents	<b>12,780</b>	(453)
Exchange movements	<b>64</b>	(212)
Cash and cash equivalents at start of period*	<b>9,701</b>	7,457
<b>Cash and cash equivalents at end of period*</b>	<b>22,545</b>	6,792

\* Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

*The accompanying notes below are an integral part of the Financial Statements.*

# The Scottish American Investment Company P.L.C.

## Performance Attribution (unaudited)

Portfolio Breakdown	Average allocation		Total return	
	SAINTS %	Benchmark <sup>†</sup> %	SAINTS %	Benchmark <sup>†</sup> %
Global equities	92.1	100.0	11.0	11.4
Bonds	6.2		-	
Direct property	10.6		12.9	
Deposits	1.6		-	
Borrowings at book value	(10.5)		3.4	
<b>Portfolio total return (borrowings at book value)</b>			<b>11.1</b>	<b>11.4</b>
Other items*			(0.1)	
<b>Fund total return (borrowings at book value)</b>			<b>11.0</b>	
Adjustment for change in fair value of borrowings			0.3	
<b>Fund total return (borrowings at fair value)</b>			<b>11.3</b>	<b>11.4</b>

The above returns are calculated on a total return basis with net income reinvested.

Source: Baillie Gifford and relevant underlying index providers.

\* Includes Baillie Gifford and OLIM management fees.

† See disclaimer at end of this announcement

Past performance is not a guide to future performance.

# The Scottish American Investment Company P.L.C.

## Twenty Largest Equity Holdings (unaudited)

Name	Business	Value at 30 June 2021 £'000	% of total assets*
United Parcel Service	Courier services	29,035	3.1
Anta Sports	Sportswear manufacturer and retailer	28,361	3.0
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	27,695	2.9
Microsoft	Computer software	23,632	2.5
Sonic Healthcare	Laboratory testing	23,522	2.5
Roche	Pharmaceuticals and diagnostics	23,016	2.4
Fastenal	Distribution and sales of industrial supplies	22,786	2.4
Partners Group	Asset management	22,556	2.4
Novo Nordisk	Pharmaceutical company	21,509	2.3
Procter & Gamble	Household product manufacturer	20,998	2.2
Admiral	Car insurance	20,341	2.2
Nestlé	Food producer	20,121	2.2
Deutsche Boerse	Securities exchange owner/operator	19,596	2.1
Pepsico	Snack and beverage company	17,378	1.9
Watsco	Distributes air conditioning, heating and refrigeration equipment	16,566	1.8
Man Wah	Sofa designer and manufacturer	16,172	1.7
Schneider Electric	Electrical power products	16,157	1.7
Atlas Copco	Engineering	16,014	1.7
Analog Devices	Integrated circuits	15,859	1.7
Apple	Consumer technology	15,362	1.6
		<b>416,676</b>	<b>44.3</b>

\* Before deduction of borrowings.

# The Scottish American Investment Company P.L.C.

## Notes to the Condensed Financial Statements (unaudited)

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1. The condensed Financial Statements for the six months to 30 June 2021 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in April 2021 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 30 June 2021 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 December 2020.

### Going Concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out below, together with its current position. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak but does not believe the Company's going concern status is affected. In addition, the Company's investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, have been taken into consideration and it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has no short term borrowings. The redemption date for the Company's debenture is April 2022 and the redemption date for the Company's loan notes is June 2036. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

2. The financial information contained within the Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 December 2020 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
3. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. With effect from 1 April 2020, the annual management fee, calculated quarterly, is 0.45% on the first £500m of total assets and 0.35% on the remaining total assets, where 'total assets' is defined as the total value of the assets held, excluding the value of the property portfolio, less all liabilities (other than any liability in the form of debt intended for investment purposes). Prior to 1 April 2020, the annual management fee was 0.45% of total assets, excluding the value of the property portfolio, less current liabilities.

As AIFM, Baillie Gifford & Co Limited has delegated the management of the property portfolio to OLIM Property Limited. OLIM receives an annual fee from SAINTS of 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250. The agreement can be terminated on three months' notice.

# The Scottish American Investment Company P.L.C.

## Notes to the Condensed Financial Statements (unaudited) (ctd)

4.	Net return per ordinary share	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000
	Revenue return on ordinary activities after taxation	11,273	9,086
	Capital return on ordinary activities after taxation	70,125	(1,661)
	<b>Total net return</b>	<b>81,398</b>	<b>7,425</b>
	<b>Weighted average number of ordinary shares in issue</b>	<b>167,223,429</b>	<b>149,249,816</b>

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

5.	Dividends	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000
	<b>Amounts recognised as distributions in the period:</b>		
	Previous year's final of 3.00p (2020 – 3.00p), paid 9 April 2021	<b>4,965</b>	4,447
	First interim of 3.05p (2020 – 3.00p), paid 23 June 2021	<b>5,204</b>	4,538
		<b>10,169</b>	<b>8,985</b>

**Amounts paid and payable in respect of the period:**

	First interim of 3.05p (2020 – 3.00p), paid 23 June 2021	<b>5,204</b>	4,538
	Second interim of 3.075p (2020 – 3.00p)	<b>5,282</b>	4,666
		<b>10,486</b>	<b>9,204</b>

The second interim dividend was declared after the period end date and therefore has not been included as a liability in the Balance Sheet. It is payable on 20 September 2021 to shareholders on the register at the close of business on 13 August 2021. The ex-dividend date is 12 August 2021. The Company's Registrar offers a Dividend Reinvestment Plan and the final date for elections for this dividend is 27 August 2021.

# The Scottish American Investment Company P.L.C.

## Notes to the Condensed Financial Statements (unaudited) (ctd)

### 6. Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

As at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Securities</b>				
Listed equities/funds	802,036	-	265	<b>802,301</b>
Bonds	-	51,504	-	<b>51,504</b>
<b>Property</b>				
Freehold	-	-	69,500	<b>69,500</b>
<b>Total financial asset investments</b>	<b>802,036</b>	<b>51,504</b>	<b>69,765</b>	<b>923,305</b>

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Securities</b>				
Listed equities/funds	677,604	-	265	<b>677,869</b>
Bonds	-	40,775	-	<b>40,775</b>
<b>Property</b>				
Freehold	-	-	84,900	<b>84,900</b>
<b>Total financial asset investments</b>	<b>677,604</b>	<b>40,775</b>	<b>85,165</b>	<b>803,544</b>

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid value or, in the case of holdings on certain recognised overseas exchanges, last traded price. They are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. The fair value of unlisted investments is determined using valuation techniques, determined by the Directors, based upon observable and/or non-observable data such as latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. The Company's holdings in unlisted investments are categorised as Level 3 as the valuation techniques applied include the use of non-observable data.

7. The book value of the 8% Debenture Stock 2022 ('Debenture Stock') at 30 June 2021 was £80,672,000 (31 December 2020 – £81,108,000). The market value of the Debenture Stock at 30 June 2021 was £84,256,000 (31 December 2020 – £86,928,000). The redemption date for the Debenture Stock is 10 April 2022.

On 25 June 2021 the Company issued £15 million of long-term secured privately placed notes ('loan notes') with a fixed coupon of 2.23% and a repayment date of 25 June 2036. At 30 June 2021 the book value of the loan notes amounted to £14,923,000. The fair value of the loan notes at 30 June 2021 was £15,566,000.

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## Notes to the Condensed Financial Statements (unaudited) (ctd)

8. At 30 June 2021, the Company had the authority to buy back 24,594,234 ordinary shares and to issue 11,392,094 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2021. During the six months to 30 June 2021, 9,190,000 (31 December 2020 – 15,075,000) shares were issued at a premium to net asset value raising proceeds of £43,422,000 (31 December 2020 – £63,985,000). Between 1 July 2021 and 28 July 2021, the Company issued a further 300,000 shares at a premium to net asset value raising proceeds of £1,521,000. No shares were bought back (31 December 2020 – nil).
9. During the period, transaction costs on purchases amounted to £77,000 (30 June 2020 – £54,000) and on sales £253,000 (30 June 2020 – £25,000). Of these transaction costs, nil related to the purchase of property (30 June 2020 – nil) and £240,000 related to the sale of property (30 June 2020 – nil).
10. **Related party transactions**  
There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.
11. The Interim Financial Report will be available on the SAINTS page of the Managers' website: [saints-it.com](https://saints-it.com)† on or around 13 August 2021.

### Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, regulatory risk, custody and depositary risk, operational risk, discount risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 31 December 2020 which is available on the Company's website: [saints-it.com](https://saints-it.com)†. The principal risks and uncertainties have not changed since the date of that report.

### Glossary of Terms and Alternative Performance Measures (APM)

#### Total Assets

Total assets less current liabilities, before deduction of all borrowings.

#### Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

#### Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth.

#### Net Asset Value (Borrowings at Book Value)

Borrowings are valued at adjusted net issue proceeds. Book value approximates amortised cost.

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## Glossary of Terms and Alternative Performance Measures (APM) (Ctd)

	30 June 2021	31 December 2020
Shareholders' funds (borrowings at book value)	£845,813,000	£731,162,000
Add: book value of borrowings	£95,595,000	£81,108,000
Less: fair value of borrowings	(£99,822,000)	(£86,928,000)
<b>Shareholders' funds (borrowings at fair value)</b>	<b>£841,586,000</b>	<b>£725,342,000</b>
Shares in issue	171,785,943	162,595,943
<b>Net Asset Value per ordinary share (borrowings at fair value)</b>	<b>489.9p</b>	<b>446.1p</b>

### Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

	30 June 2021 NAV (book)	30 June 2021 NAV (fair)	31 December 2020 NAV (book)	31 December 2020 NAV (fair)
Closing NAV per share	492.4p	489.9p	449.7p	446.1p
Closing share price	491.0p	491.0p	464.0p	464.0p
<b>(Discount)/Premium</b>	<b>(0.3%)</b>	<b>0.2%</b>	<b>3.2%</b>	<b>4.0%</b>

### Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

Net Asset Value		30 June 2021 NAV (book)	30 June 2021 NAV (fair)	30 June 2021 share price	31 Dec 2020 NAV (book)	31 Dec 2020 NAV (fair)	31 Dec 2020 share price
Opening NAV per share/ share price	(a)	449.7p	446.1p	464.0p	407.1p	400.9p	426.0p
Closing NAV per share/ share price	(b)	492.4p	489.9p	491.0p	449.7p	446.1p	464.0p
Dividend adjustment factor*	(c)	1.013810	1.013472	1.013035	1.029353	1.028917	1.028233
Adjusted closing NAV per share/share price	(d = b x c)	499.2p	496.5p	497.4p	462.9p	459.0p	477.1p
<b>Total return</b>	<b>(d ÷ a) -1</b>	<b>11.0%</b>	<b>11.3%</b>	<b>7.2%</b>	<b>13.7%</b>	<b>14.5%</b>	<b>12.0%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

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## Glossary of Terms and Alternative Performance Measures (APM) (Ctd)

### Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with borrowings at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

### Performance Attribution (APM)

Analysis of how the Company achieved its performance relative to its benchmark.

### Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at book less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Equity gearing is the Company's borrowings adjusted for cash, bonds and property expressed as a percentage of shareholders' funds.

### Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

### Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the listed equity portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

**SAINTS' objective is to deliver real dividend growth by increasing capital and growing income. Its policy is to invest mainly in equity markets, but other investments may be held from time to time including bonds, property and other asset classes.**

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