

RNS Announcement

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

Legal Entity Identifier: 549300NF03XVC5IFB447

Regulated Information Classification: Interim Financial Report.

The following is the unaudited Interim Financial Report for the six months to 30 June 2022 which was approved by the Board on 27 July 2022.

Results for the six months to 30 June 2022

- SAINTS' assets have shown marked resilience against an uncertain backdrop over the first six months of 2022, holding up better than equities generally: SAINTS' net asset value total return (borrowings at fair value) was -7.6% over the first six months of 2022, whilst global equities* returned -10.5% over the same period.
- Over the past five years the Company has outperformed both global equities and its sector, delivering a net asset value total return (borrowings at fair value) of 65.6% against the market's* total return of 53.4% and the sector's unweighted average net asset value total return of 38.2%.†
- The Company has declared a second interim dividend of 3.40p. The second interim dividend is 10.6% higher than the equivalent dividend last year, growing ahead of UK CPI inflation which in June reached 9.4%.
- SAINTS' revenues per share over the period were 7.78p compared to 6.74p for the equivalent period last year. The growth 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 property portfolio delivered a 5.9% return, with a significant contribution from the realisation of a property above its most recent valuation.
- The Company's £80m debenture, which bore a coupon of 8%, was refinanced on previously agreed terms in April. The overall cost of the Company's borrowings is now just below 3% per annum.
- To satisfy market demand the Company issued £4m of shares over the period at a premium to Net Asset Value.
- The Board and the Managers are optimistic about SAINTS' long term prospects for resilient dividend growth.

* FTSE All-World Index (in sterling terms)

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

Interim Management Report

SAINTS' assets have shown marked resilience against an uncertain backdrop over the first six months of 2022, holding up better than equities generally in a period in which the invasion of Ukraine by Russia, combined with rising inflation and interest rates, has led to a rapid decline in share prices as investors' risk appetite sharply reduced. SAINTS' net asset value total return (with borrowings at fair value) for the first six months of 2022 was -7.6%. This was ahead of the total return on global equities (-10.5%) as measured by the

FTSE All-World Index. The share price total return was -13.0%, as the Company's share price moved from a premium to a modest discount to net asset value towards the end of the period.

The world economy still faces a great deal of uncertainty. It is at times like this that it is helpful to look back at the longer-term performance of the Company's portfolio to put this in context, and to look forward with confidence in the future growth prospects of the Company's equity holdings. During the past five years, we have seen the sharpest recession in the history of the world economy, rising political uncertainty and extensive business and travel shutdowns. Despite those challenges, the equity holdings in the Company's portfolio have delivered average compound annual growth in earnings per share of 9% per annum, well ahead of inflation over the same five-year period. Dividends from these equity holdings have also grown ahead of inflation.

Russia's invasion of Ukraine has triggered a large and sudden increase in energy and food prices. Combined with persistent supply chain issues and a still elevated demand in developed markets, this has led inflation to accelerate further and hit levels not seen for a very long time. With persistent, and accelerating inflation, Central Banks around the world have moved into tightening mode and raised interest rates faster than investors expected just a few months ago.

Leading the charge is the US Federal Reserve, which raised its benchmark rate by 75bp in June and hinted at further increases later this year. This was the largest increase in interest rates since 1994 and further evidence of a new era in Central Banking. The credibility of Central Banks, so essential to keep inflation expectations in check, is at stake.

In turn, investors have started to anticipate a sharp slowdown in economic growth, if not a recession, in the coming months. This is not a supportive background for financial markets in general, and both global equity and bond markets fell in the period.

The Company's equity portfolio showed negative returns but outperformed global equity markets. In relative performance terms, the absence of oil and gas producers from the portfolio – companies whose long-term outlook we are convinced remains poor – was a headwind, but it was more than offset by the strong performance of individual holdings.

Danish pharmaceutical company Novo Nordisk was a strong contributor to performance as its obesity drug remains in high demand in the US. This led the company to raise its revenue guidance for the year after the publication of its first quarter results. To make matters better, trial results released recently showed positive trial data for a once-weekly insulin product. If confirmed by further studies, the convenience provided by this new product would be the first real innovation in this market for nearly two decades.

Deutsche Boerse was another strong contributor as it benefited from increased market volatility and the associated volume growth in derivatives trading, a core business for the company. With large cash reserves in their settlement operations, rising interest rates are also a tailwind for the company.

In falling equity markets, consumer staples companies tend to be more resilient and the first half of 2022 was no exception. Pepsico and Coca Cola are two holdings whose share prices rose in the period, on the back of strong results. Both are a good illustration of what is happening with many companies in the portfolio: input costs are rising but the companies are able to raise prices without affecting demand much. Often price increases are achieved by managing their portfolio of products rather than raising the price of every product. And this is where innovation comes into play: by promoting new and healthier snacks at higher prices, Pepsico can raise the average price of its portfolio of products. This has led to some strong revenue growth rates for staples companies, with Pepsico and Coca Cola publishing organic growth rates of, respectively, 7% and 15%. Demand for their products is relatively insensitive to the economic cycle, which is precisely what makes them resilient holdings.

Some of the more cyclical companies in the portfolio, however, had a difficult first half. The Swiss alternative asset manager Partners Group is a good example: with market volatility and interest rates rising, investors were quick to assume lower demand for less liquid asset classes like the private equity funds that the group manages. Partners is an outstanding company with a long-term investment horizon and a very impressive track-record. Volatility may reduce demand for their products, but it will also create good investment opportunities for managers like Partners who are willing to take the long view.

Shares in the UK drinks company Fevertree declined after the company announced half-year results showing continued pressure on its operating margins due to rising input costs. Swedish industrial company Atlas Copco was another detractor as investors paid more attention to the negative impact of supply chain issues than to the very strong order book. In both cases we remain confident in their long-term growth prospects.

Portfolio Activity

In terms of key transactions in the first half of the year, we purchased new holdings in the US-listed software company Intuit and the French-listed beauty products company L'Oréal. These new purchases were funded by the sale of Kimberly-Clark de México and UK insurer Hiscox.

L'Oréal is a global leader in the beauty industry. We are longstanding admirers of its management, who have an impressive track record of continued innovation, and the company has an anchor shareholder who helps the management remain focused on long-term success. We expect the company to continue compounding its revenue and earnings for many years, underpinned by market growth, market share gains and steady margin improvement. The shares have recently fallen significantly on macro-economic concerns, which has provided us with an opportunity to invest in the shares at an attractive valuation.

The other new holding, the software company Intuit, has two well-established products in the US: QuickBooks, an online accounting service for small businesses, and TurboTax, an online tax service for consumers. Over the next decade, we expect Intuit's online services to add more functionality, and with more and more insight into their customers, to develop these services into a core financial platform for their customers. We expect this to lead to strong revenue and profit growth for several years to come. With strong prospects for a resilient dividend thanks to the healthy cashflows generated, we believe that the company is a good fit for the Company's portfolio.

These new purchases were funded by the sale of Kimberly-Clark of México and Hiscox.

Kimberly-Clark de México is the leading manufacturer of nappies, tissues and other sanitary products in Mexico. Our investment case was based on the assumption that rising household incomes in Mexico would drive growth in spending on the company's products, both in volume terms and through increased pricing power. In practice, however, the company has struggled to grow its earnings due to sustained pressure on its input costs, limited success in gaining market share and the depreciation of the Mexican currency. With little prospect that these headwinds will reverse and better opportunities elsewhere in the portfolio, we have sold out of the company.

More recently, we have sold out of UK insurer Hiscox, as we have come to the conclusion that it is no longer an ideal fit for the Company's portfolio. The most challenging aspect is the volatility of Hiscox's dividend, which tends to be correlated with periods of economic stress. By investing the proceeds into some of the more robust companies mentioned above, we have upgraded the overall dividend resilience of the Company's equity portfolio.

Beyond equities

One advantage of being an investment trust is the ability to add a prudent amount of long-dated borrowings at fixed rates. The Company uses these borrowings to invest in a diverse portfolio of commercial properties, infrastructure companies and fixed income securities, with the goal of generating returns above the cost of borrowing, to the benefit of shareholders.

This task has become considerably easier, as in April new long-term private placement debt of £80m replaced SAINTS' previous debenture, which had borne a coupon of 8%. The overall cost of the Company's borrowings, including the further £15m of private placement debt which was added in April 2021, has now fallen to just below 3%. The opportunity set of potential investments which would yield more than the Company's cost of borrowings has therefore increased significantly.

During the first half of the year the property portfolio delivered a total return above 5%. One property was sold during the period, being the industrial warehouse in Basingstoke at a price more than 20% above the valuation at the end of 2021. Through the remainder of this year, the property manager is anticipating a difficult backdrop for commercial property valuations due to rising interest rates and slowing economic growth, and has been strengthening the portfolio accordingly. Inflation linkages in the portfolio's rental contracts remain strong, and the portfolio continues to have no voids.

The infrastructure companies delivered a total return above 6%. In a slowing economy with rising inflation, the value of infrastructure assets such as those managed by Terna, the Italian grid network, was increasingly evident to investors and this supported valuations. The dividend yield of the Company's infrastructure investments continues to exceed the Company's cost of borrowings.

The return from the fixed income portfolio was very slightly positive during the first half of 2022. The most notable contributions came from the early redemptions of two bond holdings, issued by Cogent Communications and First Quantum. Both redeemed at prices above par. We continue to look for opportunities to generate attractive returns from bonds where the risk is low because the underlying issuer is, in our view, well-managed and cash generative, much like these two companies.

Outlook

Since the start of 2022, we have seen a number of SAINTS' equity holdings announce quarterly results. So far we have seen little to suggest that SAINTS' holdings are being de-railed by the war in Ukraine, or the rise in inflation rates, or the increase in central bank rates, or the collapse of cryptocurrencies. The Company's holdings have been selected in part because we believe their resilience is

unusually strong, for example with debt ratios far lower than the average company, cash flows that tend to be less volatile, and growth prospects that are significantly stronger than the average company.

We remain optimistic that over the long term the future of the Company's holdings, and the potential for inflation-beating growth in their earnings, remains strong. Underpinned by this earnings growth, the Board and the Managers remain confident in SAINTS' long term prospects for resilient dividend growth.

Baillie Gifford & Co

27 July 2022

* See disclaimer at the end of this announcement.

Past performance is not a guide to future performance.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- 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
- 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
Lord Macpherson of Earl's Court
Chairman
27 July 2022

Income Statement (unaudited)

	For the six months ended 30 June 2022			For the six months ended 30 June 2021			For the year ended 31 December 2021 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments – securities	–	1,586	1,586	–	9,989	9,989	–	30,487	30,487
Gains on sales of investments – property	–	607	607	–	7,419	7,419	–	7,419	7,419
Changes in fair value of investments – securities	–	(105,210)	(105,210)	–	54,848	54,848	–	97,486	97,486
Changes in fair value of investments – property	–	1,543	1,543	–	860	860	–	6,260	6,260
Currency gains/(losses)	–	71	71	–	64	64	–	(21)	(21)
Income – dividends and interest	14,486	–	14,486	11,963	–	11,963	23,059	–	23,059
Income – rent and other	2,412	–	2,412	2,677	–	2,677	4,921	–	4,921
Management fees (note 3)	(494)	(1,481)	(1,975)	(465)	(1,394)	(1,859)	(973)	(2,920)	(3,893)
Other administrative expenses	(574)	–	(574)	(737)	–	(737)	(1,252)	–	(1,252)
Net return before finance costs and taxation	15,830	(102,884)	(87,054)	13,438	71,786	85,224	25,755	138,711	164,466
Finance costs of borrowings	(565)	(1,695)	(2,260)	(692)	(2,076)	(2,768)	(1,426)	(4,278)	(5,704)
Net return on ordinary activities before taxation	15,265	(104,579)	(89,314)	12,746	69,710	82,456	24,329	134,433	158,762
Tax on ordinary activities	(1,562)	429	(1,133)	(1,473)	415	(1,058)	(2,509)	732	(1,777)
Net return on ordinary activities after taxation	13,703	(104,150)	(90,447)	11,273	70,125	81,398	21,820	135,165	156,985
Net return per ordinary share (note 4)	7.78p	(59.16p)	(51.38p)	6.74p	41.94p	48.68p	12.79p	79.20p	91.99p
Note: Dividends paid and payable per share (note 5)									
			6.65p			6.125p			12.675p

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.

Balance Sheet (unaudited)

	At 30 June 2022 £'000	At 31 December 2021 (audited) £'000
Non-current assets		
Investments – securities	836,691	938,357
Investments – property	81,700	74,900
Deferred expenses	–	207
	918,391	1,013,464
Current assets		
Debtors	3,846	3,710
Cash and deposits	6,935	11,263
	10,781	14,973
Creditors		
Amounts falling due within one year:		
Debenture stock (note 7)	–	(80,236)
Other creditors and accruals	(2,784)	(3,091)
	(2,784)	(83,327)
Net current assets/(liabilities)	7,997	(68,354)
Total assets less current liabilities	926,388	945,110
Creditors		
Amounts falling due after more than one year:		
Loan notes (note 7)	(94,707)	(14,925)
Net assets	831,681	930,185
Capital and reserves		
Share capital	44,075	43,900
Share premium account	176,010	172,576
Capital redemption reserve	22,781	22,781
Capital reserve	569,590	673,740
Revenue reserve	19,225	17,188
Shareholders' funds	831,681	930,185
Net asset value per ordinary share*	471.7p	529.7p
Ordinary shares in issue (note 8)	176,300,943	175,600,943

* 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.

Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2022

	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 2022	43,900	172,576	22,781	673,740	17,188	930,185
Shares issued	175	3,434	–	–	–	3,609
Net return on ordinary activities after taxation	–	–	–	(104,150)	13,703	(90,447)
Dividends paid (note 5)	–	–	–	–	(11,666)	(11,666)
Shareholders' funds at 30 June 2022	44,075	176,010	22,781	569,590	19,225	831,681

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	731,162
Shares issued	2,297	41,125	–	–	–	43,422
Net return on ordinary activities after taxation	–	–	–	70,125	11,273	81,398
Dividends paid (note 5)	–	–	–	–	(10,169)	(10,169)
Shareholders' funds at 30 June 2021	42,946	153,876	22,781	608,700	17,510	845,813

* The Capital Reserve balance at 30 June 2022 includes investment holding gains of £276,512,000 (30 June 2021 – gains of £332,141,000).

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

Cash Flow Statement (unaudited)

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(89,314)	82,456
Net losses/(gains) on investments – securities	103,624	(64,837)
Net gains on investments – property	(2,150)	(8,279)
Currency gains	(71)	(64)
Finance costs of borrowings	2,260	2,768
Overseas withholding tax	(1,140)	(1,004)
Changes in debtors and creditors	441	(1,661)
Other non-cash changes	120	106
Cash from operations	13,770	9,485
Interest paid	(3,368)	(3,200)
Net cash inflow from operating activities	10,402	6,285
Cash flows from investing activities		
Acquisitions of investments	(46,491)	(81,333)
Disposals of investments	39,763	39,574
Net cash outflow from investing activities	(6,728)	(41,759)
Cash flows from financing activities		
Equity dividends paid	(11,666)	(10,169)
Shares issued	3,609	43,423
Loan notes drawn down	80,000	15,000
Debenture stock repaid	(80,000)	–
Costs of issuance of debt	(16)	–
Net cash (outflow)/inflow from financing activities	(8,073)	48,254
(Decrease)/increase in cash and cash equivalents	(4,399)	12,780
Exchange movements	71	64
Cash and cash equivalents at start of period*	11,263	9,701
Cash and cash equivalents at end of period*	6,935	22,545

* 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.

Performance Attribution for the Six Months to 30 June 2022 (unaudited)

Portfolio breakdown	Average allocation SAINTS %	Average allocation Benchmark % †	Total return SAINTS %	Total return Benchmark † %
Global Equities	95.5	100.0	(10.2)	(10.5)
Bonds	5.5		0.2	
Direct Property	9.4		5.9	
Deposits	0.6		–	
Borrowings at book value	(11.0)		2.4	
Portfolio Total Return (borrowings at book value)			(9.5)	(10.5)
Other items*			(0.2)	
Fund Total Return (borrowings at book value)			(9.7)	
Adjustment for change in fair value of borrowings			2.1	
Fund Total Return (borrowings at fair value)			(7.6)	(10.5)

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

Source: Baillie Gifford and relevant underlying index providers.

* Includes Baillie Gifford and OLIM management fees.

† See disclaimer at the end of this announcement.

Past performance is not a guide to future performance.

Twenty Largest Equity Holdings at 30 June 2022 (unaudited)

Name	Business	Value £'000	% of total assets *
Novo Nordisk	Pharmaceutical company	32,240	3.5
United Parcel Service	Courier services	29,450	3.2
Procter & Gamble	Household product manufacturer	26,012	2.8
Microsoft	Computer software	25,494	2.8
Fastenal	Distribution and sales of industrial supplies	25,240	2.7
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	23,490	2.5
Roche	Pharmaceuticals and diagnostics	23,488	2.5
Pepsico	Snack and beverage company	22,771	2.5
Sonic Healthcare	Laboratory testing	21,116	2.3
Watsco	Distributes air conditioning, heating and refrigeration equipment	20,454	2.2
Nestlé	Food producer	20,330	2.2
Albemarle	Producer of speciality and fine chemicals	19,286	2.1
Deutsche Boerse	Securities exchange owner/operator	19,127	2.0
Coca Cola	Beverage company	18,865	2.0
Apple	Consumer technology	17,653	1.9
Anta Sports	Sportswear manufacturer and retailer	16,837	1.8

Analog Devices	Integrated circuits	15,730	1.7
Partners Group	Asset management	15,505	1.7
Schneider Electric	Electrical power products	13,956	1.5
McDonald's	Fast food restaurants	13,910	1.5
		420,954	45.4

* Before deduction of borrowings.

Notes to the Condensed Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 30 June 2022 comprise the statements set out above 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 2022 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 2021.

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 ongoing impact of market volatility during the Covid-19 pandemic, the hostilities in Ukraine and current economic conditions 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 dates for the Company's loan notes are June 2036, April 2045 and April 2049. 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 this 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 2021 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. 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).

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.

4 Net Return per Ordinary Share

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Revenue return on ordinary activities after taxation	13,703	11,273
Capital return on ordinary activities after taxation	(104,150)	70,125
Total net return	(90,447)	81,398
Weighted average number of ordinary shares in issue	176,051,800	167,223,429

5 Dividends

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Amounts recognised as distributions in the period:		
Previous year's final of 3.375p (2021 – 3.00p), paid 8 April 2022	5,936	4,965
First interim of 3.25p (2021 – 3.05p), paid 22 June 2022	5,730	5,204
	11,666	10,169
Amounts paid and payable in respect of the period:		
First interim of 3.25p (2021 – 3.05p), paid 22 June 2022	5,730	5,204
Second interim of 3.40p (2021 – 3.075p)	5,994	5,308
	11,724	10,512

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 2022 to shareholders on the register at the close of business on 12 August 2022. The ex-dividend date is 11 August 2022. The Company's Registrar offers a Dividend Reinvestment Plan and the final date for elections for this dividend is 30 August 2022.

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 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	797,279	–	–	797,279
Bonds	10,559	28,853	–	39,412
Property				
Freehold	–	–	81,700	81,700
Total financial asset investments	807,838	28,853	81,700	918,391
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As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	889,142	–	265	889,407
Bonds	11,984	36,966	–	48,950
Property				
Freehold	–	–	74,900	74,900
Total financial asset investments	901,126	36,966	75,165	1,013,257

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 At 30 June 2022, the book value of the borrowings was £94,707,000 (31 December 2021 – £95,161,000) and the fair value was £77,331,000 (31 December 2021 – £97,422,000). The debt comprises long-term private placement loan notes: £15 million with a coupon of 2.23% issued during 2021; and £80 million with a coupon of 3.12% issued to refinance the 8% Debenture Stock which matured on 10 April 2022.
- 8 At 30 June 2022, the Company had the authority to buy back 26,367,551 ordinary shares and to issue 17,190,094 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2022. During the six months to 30 June 2022, 700,000 (31 December 2021 – 13,005,000) shares were issued at a premium to net asset value raising proceeds of £3,609,000 (31 December 2021 – £63,076,000). No further shares were issued between 1 July 2022 and 26 July 2022. No shares were bought back (31 December 2021 – nil).
- 9 During the period, transaction costs on purchases amounted to £534,000 (30 June 2021 – £77,000) and on sales £52,000 (30 June 2021 – £253,000). Of these transaction costs, £489,000 related to the purchase of property (30 June 2021 – nil) and £36,000 related to the sale of property (30 June 2021 – £240,000).

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 on or around 12 August 2022.

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, climate and governance risk, regulatory risk, custody and depositary risk, operational risk, discount risk, leverage risk, political risk and emerging risks. 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 2021 which is available on the Company's website: 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.

	30 June 2022	31 December 2021
Shareholders' funds (borrowings at book value)	£831,681,000	£930,185,000
Add: book value of borrowings	£94,707,000	£95,161,000
Less: fair value of borrowings	(£77,331,000)	(£97,422,000)
Shareholders' funds (borrowings at fair value)	£849,057,000	£927,924,000
Shares in issue	176,300,943	175,600,943
Net Asset Value per ordinary share (borrowings at fair value)	481.6p	528.4p

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 2022 NAV (book)	30 June 2022 NAV (fair)	31 December 2021 NAV (book)	31 December 2021 NAV (fair)
Closing NAV per share	471.7p	481.6p	529.7p	528.4p
Closing share price	464.0p	464.0p	541.0p	541.0p
(Discount)/premium	(1.6%)	(3.7%)	2.1%	2.4%

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.

		30 June 2022 NAV (book)	30 June 2022 NAV (fair)	30 June 2022 share price	31 December 2021 NAV (book)	31 December 2021 NAV (fair)	31 December 2021 share price
Opening NAV per share/share price	(a)	529.7p	528.4p	541.0p	449.7p	446.1p	464.0p
Closing NAV per share/share price	(b)	471.7p	481.6p	464.0p	529.7p	528.4p	541.0p
Dividend adjustment factor*	(c)	1.013992	1.013704	1.014440	1.025486	1.025738	1.024954
Adjusted closing NAV per share/share price	(d = b x c)	478.3p	488.2p	470.7p	543.2p	542.0p	554.5p
Total return	(d ÷ a) - 1	(9.7%)	(7.6%)	(13.0%)	20.8%	21.5%	19.5%

* 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/share price, as appropriate, at the ex-dividend date.

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.

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, is appointed as investment managers and secretaries to SAINTS. Baillie Gifford & Co, the Edinburgh based fund management group has around £237 billion under management and advice as at 27 July 2022.

Past performance is not a guide to future performance. SAINTS is a listed UK company. As a result, the value of its shares and any income from those shares is not guaranteed and could go down as well as up. You may not get back the amount you invested. As SAINTS invests in overseas securities, 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. You can find up to date performance information about SAINTS on the SAINTS page of the Managers' website saints-it.com. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

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Sustainable Finance Disclosure Regulation ('SFDR')

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The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As The Scottish American Investment Company P.L.C. is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (bailliegifford.com).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in

respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of Alternative Investment Funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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