

# 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 2020

- SAINTS has delivered a positive net asset value total return (debenture at fair value) over the first six months of 2020, returning 1.6%. Over the same period, global equities\* returned 0.7%, whilst the Global Equity Income sector return was -5.3%. The Company was the top performing fund in the sector in NAV terms over the period, and remains the top performing fund in the sector over the past five years.†
- SAINTS' revenues per share over the period were 6.09p compared to 6.58p for the equivalent period last year. The resilience of the Company's revenues in a notably challenging period has been helped by the Manager's emphasis on dependability.
- The Company has declared a second interim dividend of 3.00p. Taken with the first interim dividend, the dividends over the period of 6.00p represent an increase of 2.1% over the amount paid for the equivalent period in 2019.
- To satisfy market demand the Company issued over £25m 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 income growth. The Company's income has held up well, and the Managers have been able to augment the portfolio by adding some new names which they have long admired at attractive prices.

#### **Fee reduction**

- The Board and Managers are pleased to announce that Baillie Gifford's fee on relevant assets above £500m has been reduced to 35 basis points. The first £500m will continue to be charged at 45 basis points and OLIM's fee for managing SAINTS' property will remain at 50 basis points.

\* FTSE All-World Index

† Source: Morningstar

## Interim Management Report

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The net asset value total return (debenture at fair value) for the first six months of 2020 was 1.6% and the share price total return was -1.9%. The total return on global equities, as measured by the FTSE All-World Index\* in sterling, was 0.7%. These figures mask a significant setback for the market in the first quarter, as Covid-19 related fears and disruption grew, and a subsequent rebound.

Earnings per share for the six months fell to 6.09p compared to 6.58p in the same period last year. Given that the world has experienced probably the most challenging environment for corporate dividends in living memory, we believe that this *circa* 7% decline is an encouraging result. Forecasts are still somewhat up-in-the-air, but for comparison it appears that dividends worldwide are likely to fall by 15%–20% in 2020, compared with 2019. Meanwhile, UK corporate dividends will be down by perhaps 40%–50%.

The resilience in SAINTS' income stream, combined with the Company's substantial revenue reserves, has allowed the Board to raise dividends to SAINTS shareholders in these challenging times. A first interim dividend of 3.00p was paid at the end of June and a second interim dividend of 3.00p is payable on 18 September 2020. The total amount of these dividends, 6.00p, is 2.1% higher than the amount paid for the corresponding period in 2019. Inflation, as measured by CPI, was 0.6% over the year to end June 2020.

Relative to our somewhat nervous expectations from earlier in the year, income from the vast majority of the companies in SAINTS' portfolio has held up well, and many have exceeded our expectations. Investments like Microsoft, Fastenal, Roche and Nestlé have actually increased their dividends year-on-year – truly a signal of their financial strength and their optimism about the future. Overall the crucial factor in the resilience of SAINTS' dividend stream has been the type of business in which we invest. Companies which have capital-light business models, meaning those which do not require huge sums of capital to generate future growth, are naturally more resilient dividend payers. These are the types of company we favour, operating in areas such as software, healthcare and consumer goods. In addition, SAINTS has benefited greatly from its global approach. Examples from further afield worth mentioning include Want Want, the Chinese food manufacturer, and B3, the Brazilian securities exchange, both of which have recently announced large special dividends as they have chosen to return surplus cash to investors to help them through these difficult times. Remarkably, it appears that special dividends paid to SAINTS' portfolio will be higher in 2020 than in 2019. SAINTS' property and bond income has also held up well, although to assist certain tenants some rent has been deferred.

Having a global portfolio, invested in capital-light companies that have great growth opportunities ahead of them, goes a long way towards generating a resilient income stream. This is not to say that we have sat on our hands however, despite our consistent focus on growth and dependability. At the start of the Covid-19 crisis we undertook another of our regular stress-tests of the portfolio and concluded that two holdings in particular were likely to pay far less in income, on a long term view, than we had previously thought likely. Both were European banks, Bankinter and Handelsbanken, which we had judged to be extremely well-capitalised, to the point of generating surplus cash flow for dividends. However, such is the intensity of the downturn we are witnessing, and so stringent have European bank regulators been in preventing even well-capitalised banks from paying dividends, that we now expect both names to generate considerably lower dividends in the long term. We therefore disinvested from both companies. We also disinvested from Total, the French oil and gas company. This has been an unusual holding for us, indeed it was the only oil and gas company in the portfolio. Our investment case was that, unlike most of its peers, its early and significant investments into gas (which is replacing coal) and renewables (notably its solar business Sunpower) set the company up well to manage the energy transition we are expecting to happen over the next ten years. But commodity prices have been weaker than we expected, to the point the company is now struggling to cover its dividend after capital expenditures. The company is in a difficult position and we think it should probably cut its dividend, so we have sold the holding. It is interesting to reflect that ten years ago, oil and gas companies would have been a central feature of most portfolios, certainly of most income funds. Today SAINTS has no exposure to hydrocarbons; our only energy investments are in lithium and wind farms.

But where there is change there is always opportunity. A large number of excellent companies have seen their share prices fall unfairly in the past few months, and we have invested the proceeds from our sales into a range of new



names we are excited about. We have taken a holding in Hargreaves Lansdown, the UK savings platform, for the first time. This is a tremendous business with great growth opportunities ahead of it, as more savers take control of their investments and the company branches into new areas, such as advice. It also has a strong dividend commitment. For years we have been drawn to the company but felt the valuation looked acceptable rather than compelling, so when the shares fell heavily during the quarter we took a holding. A similar story is Medtronic, the American medical devices maker. The company has a strong pipeline of products to drive future growth, but there was a point during the past few months where the share price fell precipitously. Apparently Wall Street was fretting about lower numbers of surgeries taking place in hospitals, resulting in ‘a bad quarter’ for the company’s earnings. We took advantage of this to invest in the shares for the first time. Two other new purchases worth mentioning briefly are Cisco, the network equipment maker, where we are enthused about the company’s prospects to win market share with its latest innovations, and T Rowe Price, the asset manager, which has a great track record and the potential for growth outside its home market in the US. Both companies have capital-light business models and strong commitments to paying a resilient dividend. Overall, turnover within the equity portfolio remained consistent with a five year holding period, reflecting our long term, stock driven approach to investment.

During the period SAINTS published its first Governance and Sustainability report, and we would stress the importance we place on engaging with the companies in which we invest on your behalf. In recent months we have used video calls to speak with management teams and/or boards across almost all of SAINTS’ holdings since the start of this year. Besides offering our support as long term shareholders, a question we have been keen to put to them is whether they are doing the right thing by their employees and other stakeholders, as well as continuing to invest in their business. In the long term this will pay off in spades, and those companies that behave poorly will suffer for it. We have wanted to gain reassurance that the companies in your portfolio that have increased their dividends – of which there have been many – are still doing the right thing for the long term.

Happily, we have been satisfied that these companies are indeed behaving like good corporate citizens. Many have been making substantial community contributions, as well as supporting their employees through these difficult times. One interesting example worth highlighting is Carsales.com, the online used car advertising platform in Australia, which for a period has allowed many of its customers to use its service free of charge, to help them cope with the crisis. Another is Admiral, the UK motor insurer, which voluntarily partly refunded premiums to its customers for a period when many have not been using their cars.

Turning to the Company’s property investments SAINTS’ property managers OLIM have reported that over 93% of revenues due for Q2 have been received, with the remainder being deferred. In addition, whilst there has been an overall fall in capital value, it has been ameliorated by some increases. The property portfolio has delivered a positive overall return over the period, and this looks like a good result in comparison to property generally. OLIM acknowledge that most sectors of the UK property market face a very difficult year this year, and probably another in 2021, but believe that the special characteristics of SAINTS’ portfolio leave it well positioned. Thus far certainly, OLIM’s focus on industrial assets, alternatives and supermarkets has stood the portfolio in relatively good stead.

Over the past few years we have reduced SAINTS’ exposure to bonds, faced with yields that had fallen to levels so low that made it difficult for us to get excited. But the Covid-19 crisis has caused bond spreads to widen, and for the first time in some time we have seen a number of interesting investments available.

The proceeds from share issuance have been helpful in funding these new investments. Over the six month period 6,330,000 shares (representing just under 4.3% of issued share capital at 1 January 2020) were issued at a premium to net asset value, with SAINTS’ share price ending the period modestly above net asset value.

## **Summary**

SAINTS’ aim is to continue to provide shareholders with a dependable source of income, together with growth in income and capital that exceeds inflation over time. Our focus as always remains on the long term. There is still great uncertainty about 2020, and we have no particular insights to offer about the immediate course of the current crisis or the precise speed and extent of the eventual economic recovery.

But we are as optimistic as ever about your portfolio’s long-term prospects for resilient income growth. After the most incredible stress-test for dividends we could have devised, the portfolio’s income has held up well. Where operational performance has been affected, companies have generally taken appropriate action to harbour their resources and behave responsibly towards their employees, customers and suppliers. The long-term prospects of the holdings therefore remain bright, and we have been able to augment the portfolio by adding some new names which



we have long admired, at attractive prices. There is a long road ahead for all of us, as the global economy recovers from Covid-19. But we believe SAINTS has the right portfolio to march down it with confidence.

The principal risks and uncertainties facing the Company are set out at the end of this announcement. Related party transaction disclosures are set out in note 10.

Baillie Gifford & Co  
30 July 2020

*\* 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  
30 July 2020

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

## Income Statement (unaudited)

	For the six months ended 30 June 2020			For the six months ended 30 June 2019			For the year ended 31 December 2019 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on sales of investments - securities	-	(19,857)	(19,857)	-	17,319	17,319	-	11,575	11,575
Gains on sales of investments – property	-	-	-	-	-	-	-	2,055	2,055
Changes in fair value of investments - securities	-	22,586	22,586	-	57,082	57,082	-	83,560	83,560
Changes in fair value of investments - property	-	(1,550)	(1,550)	-	-	-	-	(1,436)	(1,436)
Currency (losses)/gains	-	(212)	(212)	-	72	72	-	(56)	(56)
Income – dividends and interest	9,579	-	9,579	9,910	-	9,910	17,576	-	17,576
Income – rent and other	2,708	-	2,708	2,604	-	2,604	5,374	-	5,374
Management fees (note 3)	(509)	(946)	(1,455)	(504)	(937)	(1,441)	(1,047)	(1,945)	(2,992)
Other administrative expenses	(799)	-	(799)	(813)	-	(813)	(1,247)	-	(1,247)
<b>Net return before finance costs and taxation</b>	<b>10,979</b>	<b>21</b>	<b>11,000</b>	<b>11,197</b>	<b>73,536</b>	<b>84,733</b>	<b>20,656</b>	<b>93,753</b>	<b>114,409</b>
Finance costs of borrowings	(976)	(1,813)	(2,789)	(985)	(1,829)	(2,814)	(1,970)	(3,659)	(5,629)
<b>Net return on ordinary activities before taxation</b>	<b>10,003</b>	<b>(1,792)</b>	<b>8,211</b>	<b>10,212</b>	<b>71,707</b>	<b>81,919</b>	<b>18,686</b>	<b>90,094</b>	<b>108,780</b>
Tax on ordinary activities	(917)	131	(786)	(856)	114	(742)	(1,590)	363	(1,227)
<b>Net return on ordinary activities after taxation</b>	<b>9,086</b>	<b>(1,661)</b>	<b>7,425</b>	<b>9,356</b>	<b>71,821</b>	<b>81,177</b>	<b>17,096</b>	<b>90,457</b>	<b>107,553</b>
<b>Net return per ordinary share (note 4)</b>	<b>6.09p</b>	<b>(1.11p)</b>	<b>4.98p</b>	<b>6.58p</b>	<b>50.53p</b>	<b>57.11p</b>	<b>11.87p</b>	<b>62.81p</b>	<b>74.68p</b>
Note: Dividends paid and payable per share (note 5)	6.00p			5.875p			11.875p		

*The accompanying notes 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 2020 £'000	At 31 December 2019 (audited) £'000
<b>Non-current assets</b>		
Investments - securities	<b>619,270</b>	591,664
Investments – property	<b>83,250</b>	84,800
Deferred expenses	<b>207</b>	207
	<b>702,727</b>	676,671
<b>Current assets</b>		
Debtors	<b>2,428</b>	1,501
Cash and deposits	<b>6,792</b>	7,457
	<b>9,220</b>	8,958
<b>Creditors</b>		
Amounts falling due within one year	<b>(5,922)</b>	(3,211)
<b>Net current assets</b>	<b>3,298</b>	5,747
<b>Total assets less current liabilities</b>	<b>706,025</b>	682,418
<b>Creditors</b>		
Debenture stock (note 7)	<b>(81,519)</b>	(81,930)
<b>Net assets</b>	<b>624,506</b>	600,488
<b>Capital and reserves</b>		
Share capital	<b>38,463</b>	36,880
Share premium account	<b>76,530</b>	52,535
Capital redemption reserve	<b>22,781</b>	22,781
Capital reserve	<b>469,288</b>	470,949
Revenue reserve	<b>17,444</b>	17,343
<b>Shareholders' funds</b>	<b>624,506</b>	600,488
Net asset value per ordinary share*	<b>405.9p</b>	407.1p
Ordinary shares in issue (note 8)	<b>153,850,943</b>	147,520,943

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

*The accompanying notes 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 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>

For the six months ended 30 June 2019

	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 2019	35,233	27,694	22,781	380,492	17,253	<b>483,453</b>
Shares issued	756	10,949	-	-	-	<b>11,705</b>
Net return on ordinary activities after taxation	-	-	-	71,821	9,356	<b>81,177</b>
Dividends paid (note 5)	-	-	-	-	(8,317)	<b>(8,317)</b>
<b>Shareholders' funds at 30 June 2019</b>	<b>35,989</b>	<b>38,643</b>	<b>22,781</b>	<b>452,313</b>	<b>18,292</b>	<b>568,018</b>

\* The Capital Reserve balance at 30 June 2020 includes investment holding gains of £214,862,000 (30 June 2019 – gains of £168,784,000).

*The accompanying notes 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 2020 £'000	Six months to 30 June 2019 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	<b>8,211</b>	81,919
Net gains on investments - securities	<b>(2,729)</b>	(74,401)
Net losses on investments - property	<b>1,550</b>	-
Currency losses/(gains)	<b>212</b>	(72)
Finance costs of borrowings	<b>2,789</b>	2,814
Overseas withholding tax	<b>(791)</b>	(729)
Changes in debtors and creditors	<b>(913)</b>	(793)
Other non-cash changes	<b>13</b>	(18)
<b>Cash from operations</b>	<b>8,342</b>	8,720
Interest paid	<b>(3,200)</b>	(3,200)
<b>Net cash inflow from operating activities</b>	<b>5,142</b>	5,520
<b>Cash flows from investing activities</b>		
Acquisitions of investments	<b>(57,272)</b>	(68,227)
Disposals of investments	<b>35,084</b>	61,605
<b>Net cash outflow</b>	<b>(22,188)</b>	(6,622)
Equity dividends paid	<b>(8,985)</b>	(8,317)
Shares issued	<b>25,578</b>	11,705
<b>Net cash inflow from financing activities</b>	<b>16,593</b>	3,388
(Decrease)/increase in cash and cash equivalents	<b>(453)</b>	2,286
Exchange movements	<b>(212)</b>	72
Cash and cash equivalents at start of period*	<b>7,457</b>	7,464
<b>Cash and cash equivalents at end of period*</b>	<b>6,792</b>	9,822

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

*The accompanying notes 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	95.2	100.0	2.5	0.7
Bonds	2.8		(10.8)	
Direct property	14.7		1.4	
Deposits	1.5		-	
Debenture at book value	(14.2)		3.4	
<b>Portfolio total return (debenture at book value)</b>			<b>1.5</b>	<b>0.7</b>
Other items*			(0.3)	
<b>Fund total return (debenture at book value)</b>			<b>1.2</b>	
Adjustment for change in fair value of debenture			0.4	
<b>Fund total return (debenture at fair value)</b>			<b>1.6</b>	<b>0.7</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 2020 £'000	% of total assets*
Roche Holdings	Pharmaceuticals and diagnostics	21,601	3.1
Deutsche Boerse	Securities exchange owner/operator	20,147	2.9
Procter & Gamble	Household product manufacturer	18,929	2.7
Fastenal	Distribution and sales of industrial supplies	18,903	2.7
Microsoft	Computer software	18,541	2.6
Nestlé	Food producer	17,390	2.5
Sonic Healthcare	Laboratory testing	17,015	2.4
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	16,606	2.3
Coca Cola	Beverage company	16,249	2.3
United Parcel Service	Courier services	15,942	2.3
Pepsico	Snack and beverage company	15,718	2.2
B3 S.A.	Securities exchange owner/operator	14,508	2.0
Partners Group	Asset management	13,940	2.0
Admiral	Car insurance	13,708	1.9
Edenred	Voucher programme outsourcer	13,419	1.9
CH Robinson	Delivery and logistics	12,954	1.8
Atlas Copco	Engineering	11,900	1.7
Analog Devices	Integrated circuits	11,835	1.7
Anta Sports Products	Sportswear manufacturer and retailer	11,431	1.6
Schneider Electric	Electrical power products	11,293	1.6
		<b>312,029</b>	<b>44.2</b>

\* Before deduction of the debenture.

# 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 2020 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 October 2019 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 2020 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 2019.

### 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 and the redemption date for the Company's debenture is April 2022. 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 2019 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 2020 £'000	Six months to 30 June 2019 £'000
Revenue return on ordinary activities after taxation	9,086	9,356
Capital return on ordinary activities after taxation	(1,661)	71,821
<b>Total net return</b>	<b>7,425</b>	<b>81,177</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>149,249,816</b>	<b>142,128,144</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 2020 £'000	Six months to 30 June 2019 £'000
<b>Amounts recognised as distributions in the period:</b>		
Previous year's final of 3.00p (2019 – 2.925p), paid 9 April 2020	<b>4,447</b>	4,132
First interim of 3.00p (2019 – 2.925p), paid 23 June 2020	<b>4,538</b>	4,185
	<b>8,985</b>	<b>8,317</b>

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

First interim of 3.00 (2019 – 2.925p), paid 23 June 2020	<b>4,538</b>	4,185
Second interim of 3.00 (2019 – 2.95p)	<b>4,616</b>	4,255
	<b>9,154</b>	<b>8,440</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 18 September 2020 to shareholders on the register at the close of business on 14 August 2020. The ex-dividend date is 13 August 2020. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 27 August 2020.

#### 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.

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

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

As at 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Securities</b>				
Listed equities/funds	591,937	-	265	<b>592,202</b>
Bonds	-	27,068	-	<b>27,068</b>
<b>Property</b>				
Freehold	-	-	83,250	<b>83,250</b>
<b>Total financial asset investments</b>	<b>591,937</b>	<b>27,068</b>	<b>83,515</b>	<b>702,520</b>

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Securities</b>				
Listed equities/funds	577,131	726	265	<b>578,122</b>
Bonds	-	13,542	-	<b>13,542</b>
<b>Property</b>				
Freehold	-	-	84,800	<b>84,800</b>
<b>Total financial asset investments</b>	<b>577,131</b>	<b>14,268</b>	<b>85,065</b>	<b>676,464</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 market value of the 8% Debenture Stock 2022 at 30 June 2020 was £88.9m (31 December 2019 - £91.0m).
8. At 30 June 2020, the Company had the authority to buy back 22,219,818 ordinary shares and to issue 13,603,092 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in June 2020. During the six months to 30 June 2020, 6,330,000 (31 December 2019 – 6,590,000) shares were issued at a premium to net asset value raising proceeds of £25,578,000 (31 December 2019 – £26,488,000). Between 1 July 2020 and 30 July 2020, the Company issued a further 1,155,000 shares at a premium to net asset value raising proceeds of £4,853,000. No shares were bought back (31 December 2019 – nil).
9. During the period, transaction costs on equity purchases amounted to £54,000 (30 June 2019 – £73,000) and on equity sales £25,000 (30 June 2019 – £24,000). There were no transaction costs on property purchases or sales during the six months to 30 June 2020 or 30 June 2019.
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: [www.saints-it.com](http://www.saints-it.com)† on or around 14 August 2020.

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

## 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 2019 which is available on the Company's website: [www.saints-it.com](http://www.saints-it.com). The principal risks and uncertainties have not changed since the date of that report with the exception of the current unprecedented situation surrounding the Covid-19 pandemic. These and other risks facing the Company are reviewed regularly by the Audit Committee and the Board, including the recently identified ongoing risk of the Covid-19 pandemic and its potential impact on the Company and its portfolio. We have been even more rigorous in reviewing our investment portfolio to consider the likely impact of the pandemic on this over the medium to longer term and we continue to monitor developments on a regular basis. Covid-19 also impacts our third party service providers, who have implemented business continuity plans and have been working almost entirely remotely and the Board is kept informed of any operational issues as they arise.

## 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 (Debenture at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth.

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

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

	30 June 2020	31 December 2019
Shareholders' funds (debenture at book value)	£624,506,000	£600,488,000
Add: book value of debenture	£81,519,000	£81,930,000
Less: fair value of debenture	(£88,920,000)	(£91,024,000)
<b>Shareholders' funds (debenture at fair value)</b>	<b>£617,105,000</b>	<b>£591,394,000</b>
Shares in issue	153,850,943	147,520,943
<b>Net Asset Value per ordinary share (debenture at fair value)</b>	<b>401.1p</b>	<b>400.9p</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 2020 NAV (book)	30 June 2020 NAV (fair)	31 December 2019 NAV (book)	31 December 2019 NAV (Fair)
Closing NAV per share	405.9p	401.1p	407.1p	400.9p
Closing share price	412.0p	412.0p	426.0p	426.0p
<b>Premium</b>	<b>1.5%</b>	<b>2.7%</b>	<b>4.6%</b>	<b>6.3%</b>

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

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

### 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 2020 NAV (book)	30 June 2020 NAV (fair)	30 June 2020 share price	31 Dec 2019 NAV (book)	31 Dec 2019 NAV (fair)	31 Dec 2019 share price
Opening NAV per share/ share price	(a)	407.1p	400.9p	426.0p	343.0p	336.4p	351.0p
Closing NAV per share/ share price	(b)	405.9p	401.1p	412.0p	407.1p	400.9p	426.0p
Dividend adjustment factor*	(c)	1.015028	1.015457	1.01432	1.030459	1.03118	1.030751
Adjusted closing NAV per share/share price	(d = b x c)	412.0p	407.3p	417.9p	419.5p	413.4p	439.1p
<b>Total return</b>	<b>(d ÷ a) -1</b>	<b>1.2%</b>	<b>1.6%</b>	<b>(1.9%)</b>	<b>22.3%</b>	<b>22.9%</b>	<b>25.1%</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.

### Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt 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.

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

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

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

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