

Standard Life UK Smaller Companies Trust plc

Capturing the growth potential of UK smaller companies



Investment Objective

The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.

Reference Index

The Company's reference index is the Numis Smaller Companies including AIM (ex investment companies) Index.



Visit our Website

To find out more about Standard Life UK Smaller Companies Trust plc, please visit: standardlifeuksmallercompaniestrust.co.uk

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“The Company is in a strong position, having delivered a Net Asset Value total return of 17.5% in the period.”

Allister Langlands,
Chairman



“Since the appointment of Aberdeen Standard Investments to manage the Company at the end of August 2003, the share price total return of the Company has been 1,610%, while the reference index and the FTSE 100 Index have returned 353% and 232% respectively.”

Harry Nimmo
Portfolio Manager
Aberdeen Standard Investments

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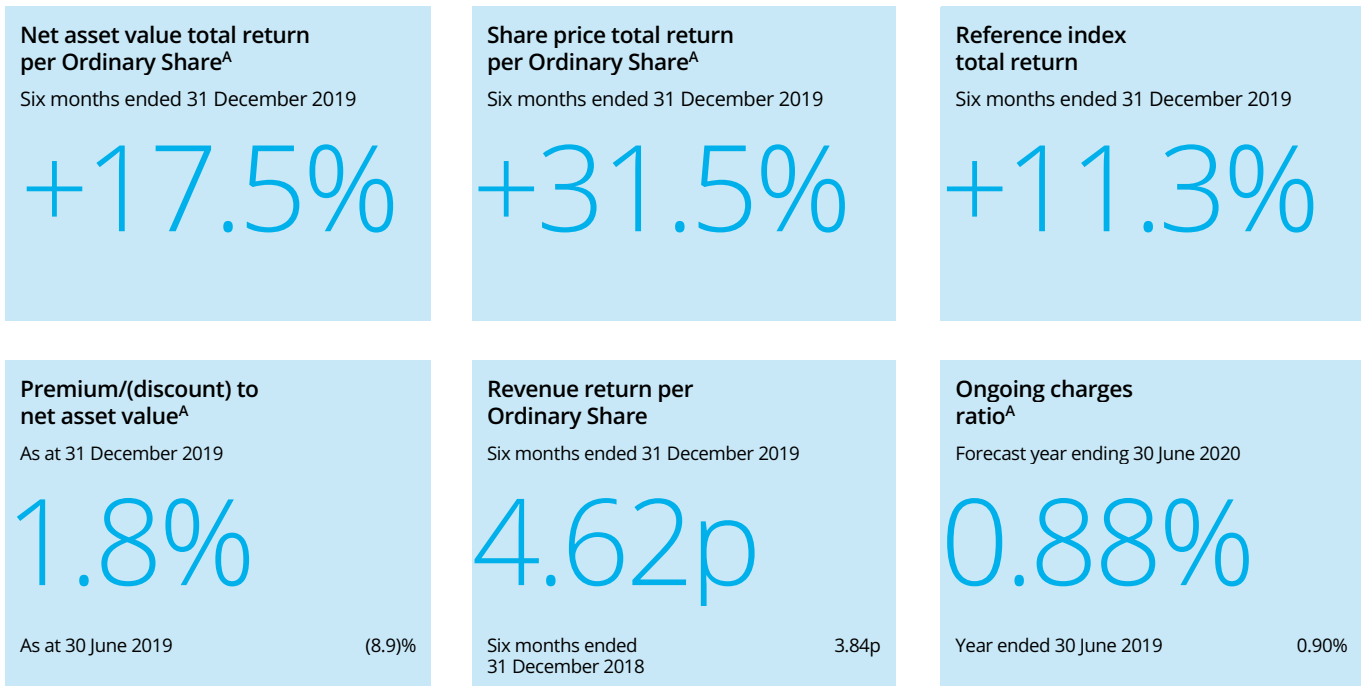
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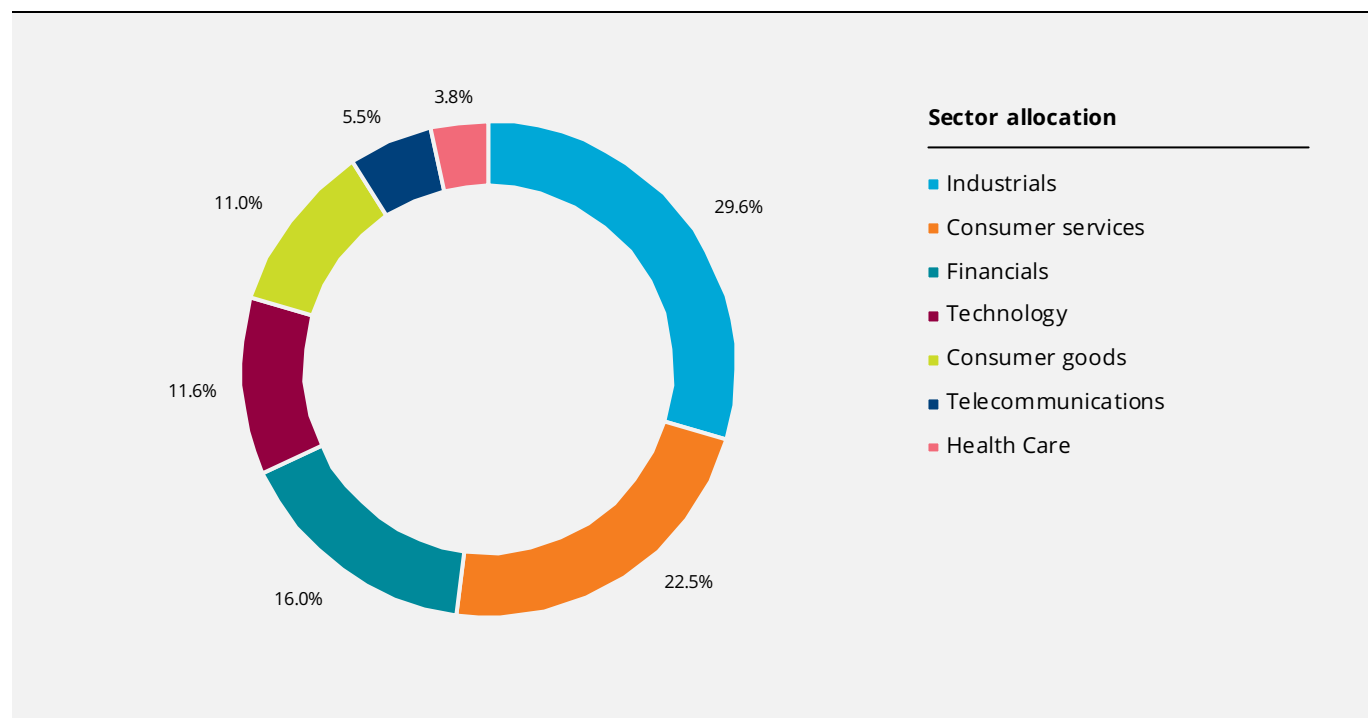
Highlights and Financial Calendar

Performance Highlights



^A Considered to be an Alternative Performance Measure as defined on pages 27 and 28.

Investment Portfolio by Sector



“The Company’s Net Asset Value total return was 17.5% for the six months to 31 December 2019, while the share price total return was an impressive 31.5%.”

Allister Langlands, Chairman

Financial Calendar

10 April 2020	Payment of interim dividend for the year ended 30 June 2020
30 June 2020	Financial year end
September 2020	Announcement of results for year ended 30 June 2020
21 October 2020	Annual General Meeting (London)
October 2020	Payment of final dividend for the year ended 30 June 2020

Financial Highlights

Capital return	31 December 2019	30 June 2019	% change
Total assets (m) ^A	£672.21	£567.57	+18.4%
Equity shareholders’ funds (m)	£627.32	£542.69	+15.6%
Market capitalisation (m)	£638.64	£494.38	+29.2%
Net asset value per Ordinary Share ^B	626.69p	539.54p	+16.2%
Share price per Ordinary Share	638.00p	491.50p	+29.8%
Premium/(discount) of Ordinary Share price to net asset value ^C	1.8%	(8.9)%	
Reference index	5,842.58	5,321.09	+9.8%
Revenue return per Ordinary Share ^D	4.62p	3.84p	+20.3%
Interim dividend per Ordinary Share ^E	2.70p	1.60p	+68.8%
Net gearing ^C	3.4%	1.5%	
Ongoing charges ^C	0.88% ^F	0.90%	

^A Defined as total assets per the Statement of Financial Position less current liabilities (before deduction of bank loans).

^B With debt at par value.

^C Considered to be an Alternative Performance Measure as defined on pages 27 and 28.

^D Figure for 31 December 2019 is for the six months to that date. Figure for 30 June 2019 is for the six months to 31 December 2018.

^E The increase in interim dividend follows the Board’s announcement in the 2019 Annual Report that it was rebalancing the split between interim and final dividends.

^F The ongoing charges ratio for the current year includes a forecast of costs, charges and net assets for the six months to 30 June 2020.

Chairman's Statement

"The Company has delivered a share price total return of over 100% in less than 3½ years. By contrast, the Numis Smaller Companies including AIM (ex investment companies) Index and the FTSE All-Share Index have both taken over seven years to achieve the same level of return."

Allister Langlands, Chairman



Introduction

This will be my last report as Chairman of your Company, as I am stepping down from the Board at the end of March. I am delighted that I am able to hand over the baton to Liz Airey at a time when the Company is in such a strong position. The return in the period was very positive and continues the performance in the first six months of 2019. The Company has delivered a share price total return of over 100% in less than 3½ years. By contrast, the Numis Smaller Companies including AIM (ex investment companies) Index, which is the Company's reference index, and the FTSE All-Share Index have both taken over seven years to achieve the same level of return.

Performance

The Company's net asset value ("NAV") total return ("NAV TR") was 17.5% for the six months to 31 December 2019, while the share price total return was 31.5%. This compares with a total return of 11.3% for the Company's reference index, the Numis Smaller Companies including AIM (ex investment companies) Index. The outperformance of the share price relative to the NAV meant that, at 31 December 2019, the share price was trading at a premium of 1.8% to the NAV per share. The returns for the period came on top of a 22.9% NAV total return in the first six months of 2019. The share price total return was 59.0% for the whole of 2019.

The Investment Manager's Review on pages 8 to 10 provides further information on stock performance and portfolio activity during the period, as well as the Investment Manager's outlook for smaller companies. The Board supports the Investment Manager's view that quality growth stocks should outperform cyclical stocks over the long term.

While the absolute returns are impressive, it is also good to see from the table below that the performance has outstripped the peer group over all time frames, and represents good progress on the position this time last year.

Earnings and Dividends

The revenue return per share for the six months to 31 December 2019 increased by 20.3% to 4.62p (2018 – 3.84p), with the total income received from investee companies rising by 36.5% compared to the same period last year. The difference between the two rates of increase is, in part, explained by the merger with Dunedin Smaller Companies Investment Trust in October 2018, which meant that the comparative numbers only include the income from the enlarged Company for just under three months, as compared to the full six months this year.

In the 2019 Annual Report, I explained that the Board was minded, in normal circumstances, to look to maintain the policy of a progressive dividend, but to distribute around one third of the total expected dividend for the year at the half year end, as compared to just over one fifth as has been the case in recent years. As a result of the rebalancing of the split between the interim and final dividends the Board is declaring an interim dividend of 2.70p per share (2018: 1.60p per share) and this will be paid on 10 April 2020 to shareholders on the register as at 13 March 2020 with an associated ex-dividend date of 12 March 2020.

The Board is declaring an interim dividend of 2.70p per share which it expects will be around 1/3 of the total dividend for the year.

Total returns to 31 December 2019	6 months %	1 year %	3 years %	5 years %	10 years %
NAV ^A	+17.5%	+44.5%	+69.0%	+130.1%	+425.9%
Reference index ^B	+11.3%	+22.2%	+23.6%	+51.8%	+209.6%
Peer group ranking ^C	4/24	2/24	2/21	1/19	4/14
Share price ^A	+31.5%	+59.0%	+85.8%	+153.4%	+492.3%
Reference index ^B	+11.3%	+22.2%	+23.6%	+51.8%	+209.6%
Peer Group ranking ^C	3/24	3/24	4/21	2/19	4/14

^A Considered to be an Alternative Performance Measure.

^B Numis Smaller Companies including AIM (ex investment companies), prior to 1 January 2018 Numis Smaller Companies (ex investment companies).

^C Compared to the constituents of the AIC UK Smaller Companies sector.

Source: Aberdeen Standard Investments/Morningstar/Factset

Chairman's Statement Continued

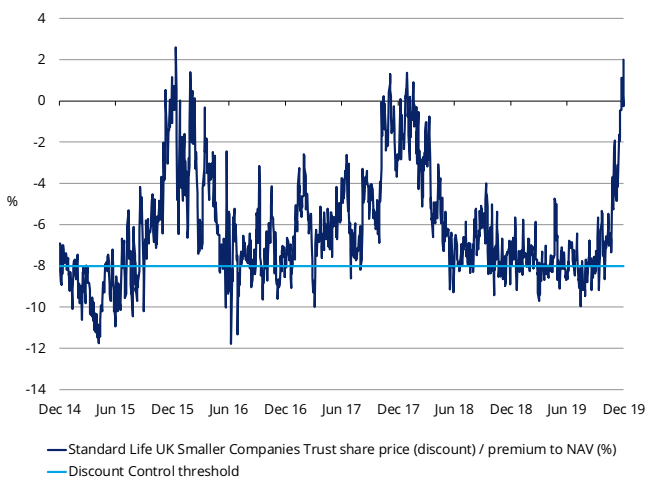
Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between a net cash position of 5% and net gearing of 25% of net assets. The £20 million revolving credit facility was drawn in full during December 2019 shortly after the result of the General Election was announced which provided the Investment Manager with a greater degree of confidence in the outlook for smaller companies.

Discount Control and Share Buy Backs

At 31 December 2019 the Company's shares were trading at a 1.8% premium to the NAV per share. This was a marked improvement in the position that had prevailed during most of 2019 whereby the share price tended to trade at close to an 8% discount to NAV, the upper end of the level for the discount targeted by the Board's discount control mechanism. In accordance with this policy, during the period the Company bought back 485,640 shares to hold in treasury.

At 31 December 2019 the Company's shares were trading at a 1.8% premium to the NAV per share.



Source: Aberdeen Standard Investments

Shareholder Relations

The Board held the AGM on Wednesday 23 October 2019 at the Manager's office in Edinburgh and intends to hold the AGM for the current financial year in London on Wednesday, 21 October 2020.

Management Changes

We note the recent announcement about Harry Nimmo's change of role to become the Investment Leader of the Smaller Companies team at Aberdeen Standard Investments ("ASI") and to step back from his managerial and administration role. We consider that this change is positive as it allows him more time to focus on managing the Company. With a new head and deputy head in place, additional resource in UK stock selection and a long established investment process, we are reassured that the portfolio is in safe hands.

Board Changes

The Board and I have agreed that I will step down as Chairman and retire from the Board on 31 March 2020. The Board has elected Liz Airey, who was appointed as an independent non-executive Director on 21 August 2019, to succeed me as Chairman. I have enjoyed my involvement in the Company over the last five and a half years and wish the Board and all shareholders the very best for the future. I am confident that the Company is in safe hands.

Outlook

12 December 2019 is likely to be seen as an economic and political watershed in the recent history of the United Kingdom, however the departure of the UK from the EU is the start, not the end, of the process and there will inevitably be obstacles and issues that are, by their very nature, unforeseen. All the companies in which this Company invests are going to be affected, to a greater or lesser extent, and the valuations of companies will be affected, both positively and negatively. The path chosen by the UK electorate is unlikely to be easy in the short term.

However, regardless of the obstacles, winners will emerge. They will be led by those management teams that have the experience to understand the implications and the ability to adapt and seize any new opportunities that may arise as a result. Harry Nimmo and his team's proven experience in identifying the winners and avoiding the losers continues to provide a strong platform for the future of the Company.

Allister Langlands,
Chairman

27 February 2020

Other Matters

Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting';
- The Interim Board Report (constituting the interim management report) includes a fair review of the information required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- The financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Half Yearly Financial Report for the six months ended 31 December 2019 comprises an Interim Management Report, in the form of the Chairman's Statement and Other Matters, the Investment Manager's Review, Portfolio Information and a condensed set of Financial Statements which has not been reviewed or audited by the Company's auditor.

Principal Risks and Uncertainties

The Board regularly reviews the principal risks and uncertainties faced by the Company together with the mitigating actions it has established to manage the risks. These are set out within the Strategic Report contained within the Annual Report for the year ended 30 June 2019 and comprise the following risk categories:

- Strategy
- Investment performance
- Share price
- Financial instruments
- Financial obligations
- Regulatory
- Operational
- Key man risk
- Geopolitical

The Company's principal risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants, when applicable.

As at 31 December 2019, the Company had a £45 million unsecured loan facility agreement with Royal Bank of Scotland International Ltd which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a five year revolving credit facility of £20 million.

The Directors are mindful of the Principal Risks and Uncertainties as summarised above and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities could be used to meet short-term funding requirements were they to arise. They have also reviewed the revenue and ongoing expenses forecasts for the coming year. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board
Allister Langlands
 Chairman
 27 February 2020

Investment Manager's Review

Harry Nimmo,
Aberdeen Standard
Investments



The first six months of the current financial year produced strong returns on the back of the returns in the half year to 30 June 2019. The Company generated a net asset value total return ("NAV TR") for the six months to 31 December 2019 of 17.5%, while the share price total return was 31.5%.

By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies including AIM (excluding investment companies) Index returned 11.3% during the last six months of 2019. Over the same period the FTSE 100 Index of the UK's largest listed companies returned 3.7%. Since the appointment of Aberdeen Standard Investments to manage the Company at the end of August 2003, the share price total return has been 1,610%, while the reference index and the FTSE 100 Index have delivered returns of 353% and 232% respectively.

Equity Markets

Markets fell from June to August as investors worried about a recession in the USA, with a yield inversion occurring in August, whereby short interest rates were higher than long rates; normally a sure sign of impending recession. In addition a trade war between the USA and China loomed large. It also felt like a disorderly Brexit was on the cards. Then the Federal Reserve reversed its policy and cut rates and a stage one trade treaty was signed. It also became less likely that a potentially disastrous "no deal" Brexit would happen. An emphatic Conservative victory at the General Election in December 2019 provided enough constitutional clarity to afford the promise that consumers and businesses in the UK would be happier to spend and invest in the UK. Top down global macro investors took this as a signal to pile into UK midcap companies in particular as an investable way of tapping into the recovery in the UK economy and markets. This led to a euphoric bounce in UK midcap markets in the last three weeks of the year.

At the company level however, the tone of trading statements was generally negative during the period in question. This was particularly the case for building, construction, auto dealers and retail sectors. Industrials were also generally weak, as were financial services, oil services, personal goods, healthcare

and software, particularly data services related companies that were seen as potentially impacted by Brexit concerns. However, there was a recovery in sentiment in the post-election closing weeks of the year with the data services sector in particular seeing a dramatic recovery. In the two days after the election the FTSE 250 Index rose by 6%.

Media and real estate were among the few sectors of noticeable strength.

FTSE SmallCap (ex investment companies) remained a weaker feature alongside the AIM market as liquidity concerns hit the smallest companies. Blue sky companies (ie. those that have yet to prove that they have a viable product) remained out of favour.

The portfolio out-performed its reference index in five of the six months of the period in question with October and November being particularly strong.

The oil price was basically flat in the period averaging \$64; copper likewise. Gold however rose by 20% to \$1,572.

Bid activity remained subdued over the summer with the most significant activity being a bid for pub group Ei by Stonegate. No bids were received for holdings in the portfolio.

Performance

The portfolio out-performed its reference index in five of the six months of the period in question with October and November being particularly strong. July was the only month of underperformance. Share performance either tended to be driven by stock-specific events or where there was a perception about exposure to Brexit. For example, data service companies such as Kainos and FDM were weak on Brexit concerns, only to recover sharply after the election.

The stars were very much aligned when it came to performance in the period in question. In uncertain economic and geopolitical times our focus on Quality, Growth and Momentum was very beneficial. The removal of uncertainty with the General Election also led to a very strong finish to the year. This was helped by a spectacular performance by Dart Group.

Our five leading performers in the period were as follows:-

Dart Group (Contribution to total return +2.5% (Closing weight: 3.6%)) which owns Jet2 and Jet2holidays.com benefited from not

having any Boeing 737 MAX jets in its fleet, unlike some of its competitors and also from the demise of Thomas Cook.

Future (+1.6% (3.2%)) has recovered from the short selling attack with good trading figures and further acquisitions.

JD Sports Fashion (+1.3 (3.0%)) returned yet another outstanding set of results.

Workspace (+1.1% (2.7%)) is back in fashion post-election and trading well.

Diploma (+1.1% (3.1%)) continues to trade strongly helped by further sensible bolt-on deals.

Our five worst performers in the period were as follows:-

First Derivatives (-1.0 (2.1%)) was weak following the sudden death of its founder and CEO.

Abcam (-0.4% (1.1%)) had results that were modestly disappointing.

Next 15 Communications (-0.4 (1.2%)) whose results were a little sub-par because of delays in spending by a couple of their clients, Samsung and Just Eat.

Robert Walters (-0.4% (1.4%)) where trading in the UK and Hong Kong markets are weak. The latter in part because of recent political unrest in the territory.

Fevertree Drinks (-0.4% (0.9%)) continues to be sub-par both in the UK, where its market share is high, but also in the USA.

The portfolio did however avoid some of the major disappointments in the half year notably at Ferrexpo, Sirius Minerals, AG Barr and Hurricane Energy, whose average share price fell by around 48% in the period.

Investing in smaller companies should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term.

Dealing and Activity

Activity was very subdued during the period in question with only one new holding added; that of **AB Dynamics** and one re-purchased that had been owned before; **Greggs**. **AB Dynamics** is one of the world's leading specialists in automotive test systems across a wide range of applications, from validation and

durability to the development of advanced technologies for active safety and autonomous driving. Its focus on quality, support and test efficiency has made it a long-term trusted partner for vehicle manufacturers and technology suppliers worldwide.

Four holdings were sold altogether; they were **Ted Baker, Accesso, Hostelworld** and **ECO Animal Health**, all on poor Matrix scores (see page 11 for more details on the Matrix). Other sales of stocks that have performed very strongly over many years, but have become too large to count as smaller companies, included **Abcam, Dechra Pharmaceuticals, Fevertree Drinks** (which has fallen over 26% since the year end) and **JD Sports Fashion**.

The biggest purchases were:-

Greggs. We bought back into the company which continues to trade ahead of expectations following some particularly effective PR with the launch of the vegan sausage roll and steak bake, alerting potential customers to changes that made it worthwhile giving the baker turned "food-to-go" company another try.

Trainline. This is a recent new issue. It is the train and bus booking website and app that is very popular in the UK but also performing strongly on the continent.

Intermediate Capital. We added to an existing large holding. This reflected our confidence in the international high yield debt and mezzanine finance manager. This is a much lower risk business than previously with less capital at risk. The interim dividend rose a spectacular 50%. This holding is now the fourth largest holding in the portfolio.

GlobalData. More was added to this holding. It is the research company with the chief executive we know well from his days at Datamonitor. GlobalData is just the same except it is enabled for on-line delivery.

Games Workshop. We increased our position as trading momentum remained strong.

Sector Exposure

Our leading sector at the period end was support services at 14.8% of the portfolio, a slight reduction on the previous position. Next largest is software at 11.6% and a rise on the previous period. Travel & leisure goods is at 10.3% which is a significant rise on last time due to some spectacular share price performances from **Dart Group, Team 17** and **Games Workshop**. Next is financials at 9.3%, then media at 9.2% and food & drink at 6.7%, which is down somewhat. Real estate is steady at 6.7% of the portfolio although this is the first time in

Investment Manager's Review Continued

many years that the Company has been overweight in real estate.

There are no holdings in mining and oil & gas companies. The portfolio also remains light in industrials, engineers, aerospace and house-builders.

Gearing

£45.0 million of borrowings were drawn down at the period end while cash stood at £23.3 million. This left the Company with net gearing of 3.4%.

Outlook

Several big uncertainties have been removed. Most importantly a government with a working majority creates more certainty as to the constitutional future of the UK and its relations with the European Union. The US and world economies look in better shape following Federal Reserve easing and some semblance of a rapprochement on trade between the USA and China.

The other unknown is the progress of the Coronavirus, the ultimate impact is as yet difficult to quantify.

The deadline for the negotiation on the actual terms of Britain's departure from the EU at the 31st December 2020 looks tight and could present a considerable challenge to negotiators.

Our two new themes continue to work very well for the portfolio. That is, the position in media as that sector sees positive renewal. The other theme is the identification of customer-focused companies in more difficult industries. Our preference is for companies that have strong corporate cultures which may include paying bonuses to all staff, such as **Games Workshop** and **Greggs**. They may also have unique business methodologies that set them apart, such as **Motorpoint** and **Robert Walters**.

As I have said before, our process remains unchanged. Our emphasis on risk aversion, resilience, growth and momentum still feels right for the future. Caution should be the watch-word however.

Investing in smaller companies should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term. Our stable process has withstood the ravages of four full economic cycles. I remain very optimistic about the prospects for the portfolio and the Company in the long term.

Harry Nimmo,
Portfolio Manager
Aberdeen Standard Investments
27 February 2020

Investment Process

Standard Life UK Smaller Companies Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the longer term, smaller company returns have outstripped those of their large-cap peers.

Management

The Company's Manager is Aberdeen Standard Fund Managers Limited ("ASFML", the "AIFM" or the "Manager"). ASFML is a wholly owned subsidiary of Standard Life Aberdeen plc ("SLA"). The investment management to the Company is provided by Aberdeen Standard Investments ("ASI"), the investment division of SLA. Harry Nimmo has been the Portfolio Manager since 2003 and leads a team of eight people focusing on investing in smaller companies.

Investment Philosophy and Process

The Board has identified that ASI has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 16 years. The investment process adheres to the ASI Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and cutting losers. The investment process embeds ASI's Environmental, Social and Governance principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using ASI's proprietary screening tool, 'The Matrix', to focus research efforts and the stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 13 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitor the performance and prospects of the portfolio. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

Investment Process Continued

When building a portfolio of smaller companies, the Investment Manager screens stocks using the Matrix and also considers a number of qualitative factors to help identify the best investment opportunities.

1. Sustainable growth

Companies in the portfolio will often produce niche products or services where demand is forecast to rise as these characteristics are the most predictive of future earnings and dividend growth.

2. Quality

The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. The Investment Manager will typically avoid companies with high or unsustainable levels of debt.

3. Buy for the long term

Identify the great companies of tomorrow and then hold them for the long term. This reduces the financial drag of high trading volumes.

4. Concentrate the effort

The Matrix helps identify the likely candidates for inclusion in the portfolio and reduces the risk that effort is spent on stocks that will not fulfil the criteria for inclusion within the portfolio.

5. Management longevity

Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs are a positive signal. Four of the top 10 holdings in the portfolio are run by CEOs who have been with their business for over 20 years.

6. Valuation is secondary

Invest in companies which demonstrate positive earnings momentum as the team believes that it is a reliable predictor of future performance.

Ten Largest Investments

As at 31 December 2019



Gamma Communications

Gamma Communications is a mid-sized telecoms company that supplies voice, data and mobile products and services in the UK. It provides fixed telephony, IP telephony, hosted phone systems, broadband and data connections, mobile services and unified communication solutions.



Diploma

Diploma is an international group of businesses supplying specialised technical products and services. Its subsidiaries distribute an assortment of scientific and lab equipment and telecommunications products.



Dart Group

Dart Group is a leisure travel distribution, and logistics company. It operates Jet2holidays and scheduled leisure flights by its airline, Jet2.com. It also has a distribution & logistics business, Fowler Welch.



JD Sports Fashion

JD Sports Fashion is a multi-channel retailer of sports fashion and outdoor brands.



Marshalls

Marshalls manufactures and sells a variety of building materials for construction, home improvement and garden landscaping sectors.



Kainos

Kainos is a digital services company offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.



Intermediate Capital

Intermediate Capital is a specialist asset manager. Its funds invest across four asset categories, providing finance for corporate investments, including private debt and minority equity; capital market investments of public and private debt; real assets, principally real estate debt; and private equity secondaries funds.



RWS

RWS provides intellectual property support services (patent translations, international patent filing solutions and searches), in life sciences translations and linguistic validation.



Future

Future publishes special-interest consumer magazines, applications and websites.



Games Workshop

Games Workshop designs, manufactures and sells fantasy miniatures and related products.

Investment Portfolio

At 31 December 2019

Company	Sector	Market value £'000	Total assets %
Gamma Communications	Mobile Telecommunications	24,272	3.6
Dart Group	Travel & Leisure	24,128	3.6
Marshalls	Construction & Materials	24,048	3.6
Intermediate Capital	Financial Services	22,068	3.3
Future	Media	21,562	3.2
Diploma	Support Services	20,879	3.1
JD Sports Fashion	General Retailers	20,263	3.0
Kainos	Software & Computer Services	19,871	3.0
RWS	Support Services	19,599	2.9
Games Workshop	Leisure Goods	19,122	2.8
Top ten investments		215,812	32.1
Hilton Food Group	Food Producers	18,754	2.8
4imprint	Media	18,219	2.7
Workspace	Real Estate Investment Trusts	18,000	2.7
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	16,850	2.5
GB Group	Software & Computer Services	15,669	2.3
Greggs	Food & Drug Retailers	15,462	2.3
Cranswick	Food Producers	15,241	2.3
XP Power	Electronic & Electrical Equipment	14,676	2.2
Trainline	Travel & Leisure	14,508	2.2
Safestore	Real Estate Investment Trusts	14,455	2.1
Top twenty investments		377,646	56.2
Aveva Group	Software & Computer Services	14,011	2.1
Hill & Smith	Industrial Engineering	13,814	2.1
First Derivatives	Software & Computer Services	13,781	2.1
Fisher (James) & Sons	Industrial Transportation	13,104	1.9
Paragon	Financial Services	12,563	1.9
Midwich	Support Services	12,259	1.8
GlobalData	Media	12,203	1.8
FDM Group	Software & Computer Services	11,730	1.7
Telecom Plus	Fixed Line Telecommunications	11,350	1.7
Big Yellow	Real Estate Investment Trusts	11,081	1.6
Top thirty investments		503,542	74.9

At 31 December 2019

Company	Sector	Market value £'000	Total assets %
Paypoint	Support Services	10,522	1.6
AJ Bell	Financial Services	10,315	1.5
discoverIE	Electronic & Electrical Equipment	10,210	1.5
Sanne	Support Services	9,425	1.4
Robert Walters	Support Services	9,408	1.4
Team 17	Leisure Goods	8,472	1.3
Next 15 Communications	Media	8,067	1.2
Alpha Financial Markets	Support Services	8,066	1.2
Boot (Henry)	Construction & Materials	7,484	1.1
Abcam	Pharmaceuticals & Biotechnology	7,095	1.1
Top forty investments		592,606	88.2
Mattioli Woods	Financial Services	6,991	1.0
Motorpoint	General Retailers	6,372	0.9
Gooch & Housego	Electronic & Electrical Equipment	6,114	0.9
JTC	Financial Services	5,972	0.9
Ricardo	Support Services	5,894	0.9
Fevertree Drinks	Beverages	5,731	0.9
Joules	General Retailers	5,446	0.8
Morgan Sindall	Construction & Materials	4,298	0.6
Hotel Chocolat	Food Producers	3,446	0.5
Nucleus Financial	Financial Services	2,801	0.4
Top fifty investments		645,671	96.0
AB Dynamics	Industrial Engineering	2,404	0.4
Gear4Music	Leisure Goods	1,080	0.2
Eco Animal Health	Pharmaceuticals & Biotechnology	616	0.1
Total portfolio		649,771	96.7
Net current assets^A		22,442	3.3
Total assets		672,213	100.0

^A Current assets less current liabilities excluding bank loan of £20,000,000.

Investment Case Studies



Credit: Benthemouse / Shutterstock.com

Dart Group

We view Dart Group as the best operator in its industry. The group comprises two businesses, 'Leisure Travel' incorporating Jet2.com, its award-winning airline, and Jet2holidays, an ATOL licensed package holidays operator, together with 'Distribution & Logistics' comprising Fowler Welch, one of the UK's leading supply chain specialists for ambient and temperature controlled produce. Jet2 has a differentiated business model; a blend of owned and leased aircraft with no reliance on 3rd party passenger and baggage handlers, coupled with an efficient online distribution system and strong hotel relationships. Dart Group's laser focus on the customer experience and clear market positioning differentiates it from its competition and will allow it to grow both its flight-only and package holiday (Jet2holidays.com) products for the long term. Shorter term, market sentiment in the space is undoubtedly stronger, especially following Thomas Cook's collapse and the UK General Election result.

Following a pre-Brexit/General Election hiatus, demand has picked up into the important first quarter 2020 booking season, and Jet2 is well positioned to grasp an opportunity to increase its market share following the demise of Thomas Cook. With a strong track record in terms of financial metrics, success is also attributable to management focus on its pilots' work life balance – the company's lifestyle 2020 programme means that pilots fly point-to-point and return home in the evening. The company also offers ten weeks' notice on rosters so that staff can plan their lives. Management have a great track record of delivery and continue to execute well on strategy whilst investing for growth. The aircraft fleet has largely been renewed in the past few years and, unlike a number of its competitors, it does not include any of the grounded Boeing 737 MAX jets. The business will not be immune to short-term headwinds from currency and fuel prices but we believe that the lean, vertically integrated model, with strong customer service, is a winning formula.

Games Workshop

Games Workshop is a niche investment case. It is the world's only table-top hobby company which designs, manufactures, distributes and sells high-quality miniatures and related products, most notably through its consumer facing brand Warhammer. The company sells its products via three channels; retail, online and trade. In addition to this it then receives royalties from licensing its brand to third parties, predominately through PC games and board games. Success in monetising its intellectual property, or IP, will make this a much more meaningful contribution to the business over time. Its IP also creates a strong barrier to entry.

Whilst the hobbyist market is often thought of as small and niche, the audience is global and very loyal. The design and features of the games continually evolve to the delight of its demonstrably price inelastic and loyal customer base. Social media has bolstered the business and increased the reach of the brand, allowing a new online community to emerge. Social media engagement, and even online sales, is something the management have only embraced in recent years and it has really been a game changer for driving sales and attracting new customers.

The strength of the business model and its fundamentals (high margin, high returns with a strong balance sheet) make Games Workshop a compelling investment for the portfolio. In addition to growth from the core business, we expect to see strength from geographic expansion, particularly in the US where it now has a credible base as well as potential upside from increased licensing opportunities which have a particularly high margin. The company is investing in capacity to ensure the business is capable of managing the strong growth in demand.

This business has an excellent track record of delivering earnings growth and, with no direct competitors and strong market opportunity for all parts of the business, we see every reason for the momentum to continue. Its dividend policy is to pay out "truly surplus cash", and its cash position is monitored and managed on a regular basis.

The management team has increased its awareness of reporting on ESG credentials, and has initiated several projects internally to improve the company's sustainability aspects, and engage with shareholders regarding the company's progress.



Credit: AVM Images / Shutterstock.com

Condensed Statement of Comprehensive Income (unaudited)

	Notes	Six months ended 31 December 2019			Six months ended 31 December 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains/(losses) on investments held at fair value		-	90,245	90,245	-	(105,188)	(105,188)
Income	2	5,672	-	5,672	4,171	-	4,171
Investment management fee		(528)	(1,583)	(2,111)	(406)	(1,217)	(1,623)
Administrative expenses		(414)	-	(414)	(353)	-	(353)
Net return before finance costs and taxation		4,730	88,662	93,392	3,412	(106,405)	(102,993)
Finance costs		(95)	(286)	(381)	(93)	(280)	(373)
Return before taxation		4,635	88,376	93,011	3,319	(106,685)	(103,366)
Taxation	3	-	-	-	4	-	4
Return after taxation		4,635	88,376	93,011	3,323	(106,685)	(103,362)
Return per Ordinary share (pence)	5	4.62p	88.16p	92.78p	3.84p	(123.13p)	(119.29p)

The total column of the condensed Statement of Comprehensive Income represents the profit and loss account of the Company.

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

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 December 2019 £'000	As at 30 June 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss		649,771	550,909
Current assets			
Debtors		1,626	1,847
Investments in AAA-rated money market funds		23,060	15,911
Cash and short term deposits		249	668
		24,935	18,426
Current liabilities			
Creditors: amounts falling due within one year			
Bank loan	8	(20,000)	-
Other creditors		(2,493)	(1,764)
		(22,493)	(1,764)
Net current assets		2,442	16,662
Total assets less current liabilities		652,213	567,571
Creditors: amounts falling due in more than one year			
Bank loan	8	(24,895)	(24,877)
Net assets		627,318	542,694
Capital and reserves			
Called-up share capital		26,041	26,041
Share premium account		170,146	170,146
Special reserve		28,696	30,977
Capital reserve		393,040	304,664
Revenue reserve		9,395	10,866
Equity shareholders' funds		627,318	542,694
Net asset value per Ordinary share (pence)	7	626.69	539.54

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 December 2019

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	26,041	170,146	30,977	304,664	10,866	542,694
Return after taxation	-	-	-	88,376	4,635	93,011
Buyback of shares into Treasury	-	-	(2,281)	-	-	(2,281)
Dividends paid (see note 4)	-	-	-	-	(6,106)	(6,106)
Balance at 31 December 2019	26,041	170,146	28,696	393,040	9,395	627,318

Six months ended 31 December 2018

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	19,071	29,693	36,311	314,924	8,275	408,274
Return after taxation	-	-	-	(106,685)	3,323	(103,362)
Issue of Ordinary Shares	6,970	140,439	-	-	-	147,409
Buyback of Ordinary Shares into Treasury	-	-	(5,121)	-	-	(5,121)
Dividends paid (see note 4)	-	-	-	-	(4,031)	(4,031)
Balance at 31 December 2018	26,041	170,132	31,190	208,239	7,567	443,169

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Operating activities		
Net return before finance costs and taxation	93,392	(102,993)
Adjustment for:		
(Gains)/losses on investments	(90,245)	105,188
Decrease in accrued income	433	33
Increase in other debtors	(5)	(6)
Increase in other creditors	1,145	856
Net overseas tax	2	10
Net cash inflow from operating activities	4,722	3,088
Investing activities		
Purchases of investments	(36,077)	(23,963)
Sales of investments	26,819	46,811
Purchases of AAA-rated money market funds	(45,664)	(39,768)
Sales of AAA-rated money market funds	38,515	20,085
Net cash (outflow)/inflow from investing activities	(16,407)	3,165
Financing activities		
Interest paid	(347)	(351)
Drawdown of loans	20,000	-
Equity dividends paid	(6,106)	(4,031)
Net cash acquired following merger	-	2,753
Buyback of shares	(2,281)	(4,996)
Net cash inflow/(outflow) from financing activities	11,266	(6,625)
Decrease in cash and short term deposits	(419)	(372)
Analysis of changes in cash during the period		
Opening cash and short term deposits	668	415
Decrease in cash and short term deposits as above	(419)	(372)
Closing cash and short term deposits	249	43

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements (unaudited)

1. Accounting policies

Basis of accounting. The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in October 2019. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The half-year financial statements have been prepared using the same accounting policies as the preceding annual accounts.

2. Income

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Income from investments		
UK dividend income	4,717	3,418
REIT income	594	393
Overseas dividend income	272	279
	5,583	4,090
Interest income		
Interest from AAA-rated money market funds	89	81
Total income	5,672	4,171

3. **Taxation.** The taxation expense reflected in the Condensed Statement of Comprehensive Income is based on management's best estimate of the weighted annual corporation tax rate expected for the full financial year. The estimated annual tax rate used for the year to 30 June 2020 is 18.5%.

As a result of the Company's investment trust status the tax charge for the period is £nil (31 December 2018 – credit of £4,000). During the period the Company received no recovery of withholding tax on overseas dividend income (31 December 2018 – £4,000).

4. Ordinary dividend on equity shares

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
2019 final dividend of 6.10p per share (2018 – 5.50p)	6,106	4,031

5. Return per share

	Six months ended 31 December 2019 p	Six months ended 31 December 2018 p
Revenue return	4.62	3.84
Capital return	88.16	(123.13)
Total return	92.78	(119.29)
Weighted average number of Ordinary Shares	100,251,509	86,645,790

The figures above are based on the following:

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Revenue return	4,635	3,323
Capital return	88,376	(106,685)
Total return	93,011	(103,362)

6. **Transaction costs.** During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Purchases	169	90
Sales	20	31
	189	121

7. **Net asset value.** Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Condensed Statement of Financial Position reflects the rights, under the Articles of Association, of the Ordinary Shareholders on a return of assets.

These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary Shareholders at the period end.

Notes to the Financial Statements (unaudited) continued

Net asset value per share	As at 31 December 2019	As at 30 June 2019
Total Shareholders' funds (£'000)	627,318	542,694
Number of Ordinary Shares in issue at the period end ^A	100,099,771	100,585,411
Net asset value per share (pence)	626.69	539.54

^A Excluding shares held in treasury.

During the six months ended 31 December 2019 the Company repurchased 485,640 Ordinary Shares to be held in treasury (31 December 2018 – 1,081,975) at a cost of £2,281,000 (31 December 2018 – £5,121,000).

As at 31 December 2019 there were 100,099,771 Ordinary Shares in issue (30 June 2019 – 100,585,411). There are also 4,064,651 Ordinary Shares (30 June 2019 – 3,579,011) held in treasury.

8. **Loans.** On 1 November 2017 the Company entered into a £45,000,000 unsecured loan facility agreement with The Royal Bank of Scotland International Ltd. The facility consists of a five year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a five year revolving credit facility of £20,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

At 31 December 2019, £25,000,000 of the Term Loan had been drawn down (30 June 2019 – £25,000,000) at a rate of 2.349% (30 June 2019 – 2.349%). At 31 December 2019, £20,000,000 of the RCF had been drawn down (30 June 2019 – £nil) at a rate of 1.944% (30 June 2019 – 0%).

The Term Loan is shown in the Statement of Financial Position net of unamortised expenses of £105,000.

The fair value of the Term Loan at 31 December 2019 was £26,193,000 (30 June 2019 – £26,404,000), the value being calculated per the disclosure in note 10.

9. Analysis of changes in net debt

	At 30 June 2019 £000	Cash flows £000	Non-cash movements £000	At 31 December 2019 £000
Cash and short term deposits	668	(419)	-	249
Investments in AAA-rated money market funds	15,911	7,149	-	23,060
Debt due within one year	-	(20,000)	-	(20,000)
Debt due after one year	(24,877)	-	(18)	(24,895)
Amounts (due to)/from brokers	(106)	640	-	534
Total net debt	(8,404)	(12,630)	(18)	(21,052)

	At 30 June 2018 £000	Cash flows £000	Non-cash movements £000	At 31 December 2018 £000
Cash and short term deposits	415	(372)	-	43
Investments in AAA-rated money market funds	9,559	19,683	-	29,242
Debt due after one year	(24,790)	-	(68)	(24,858)
Amounts (due to)/from brokers	(1,155)	1,200	-	45
Total net (debt)/funds	(15,971)	20,511	(68)	4,472

10. **Fair Value hierarchy.** FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

- Level 1:** unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2:** inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3:** inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (30 June 2019 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (31 December 2019 – £649,771,000 ; June 2019 – £550,909,000) have therefore been deemed as Level 1.

The fair value of borrowings as at 31 December 2019 has been estimated at £26,193,000 (30 June 2019 – £26,404,000) with a par value per Statement of Financial Position of £24,895,000 (30 June 2019 – £24,877,000) using the interest rate swap valuation technique. Under the fair value hierarchy in accordance with FRS 102, these borrowings can be classified as Level 2.

Notes to the Financial Statements (unaudited) continued

11. **Transaction with the Manager.** The Company has an agreement with Aberdeen Standard Fund Managers Limited (“ASFML”) for the provision of investment management, secretarial, accounting and administration and promotional activity services. During the six months ended 31 December 2019 the management fee paid to ASFML was charged applying a tiered rate of 0.85% to the first £250 million of net assets, 0.65% of net assets between £250 million and £550 million and 0.55% of net assets above £550 million. The contract is terminable by either party on six months’ notice.

During the period £2,111,000 (31 December 2018 – £1,623,000) of investment management fees were earned by ASFML, with a balance of £2,111,000 (31 December 2018 – £1,623,000) due at the period end.

ASFML also receive fees for secretarial and administrative services of (i) £110,000 per annum and (ii) 0.02% of the net asset value of the Company in excess of £70,000,000 (the net asset value of the Company being as shown in the annual accounts of the Company) up to a maximum annual amount of £150,000 exclusive of VAT.

During the period fees of £75,000 (31 December 2018 – £75,000) exclusive of VAT were earned by the ASFML for the provision of secretarial and administration services. The balance due to the ASFML at the period end was £75,000 (31 December 2018 – £75,000) exclusive of VAT.

The Manager also receives a separate promotional activities fee which is based on a current annual amount of £100,000 exclusive of VAT payable quarterly in arrears. During the period fees of £50,000 (31 December 2018 – £10,000) exclusive of VAT were payable to the Manager, with a balance of £60,000 (31 December 2018 – £47,000) exclusive of VAT being due at the period end.

12. **Half Yearly Financial Report.** The financial information in this report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the year ended 30 June 2019 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.
13. This Half Yearly Financial Report was approved by the Board on 27 February 2020.
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Alternative Performance Measures

Alternative performance measures (“APMs”) are numerical measures of the Company’s current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company’s applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company’s performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Discount & premium. A discount is the percentage by which the market price is lower than the Net Asset Value (“NAV”) per share. A premium is the percentage by which the market price per share exceeds the NAV per share.

	31 December 2019	30 June 2019
Share price	638.00p	491.50p
Net Asset Value per share	626.69p	539.54p
Premium/(discount)	1.8%	(8.9%)

Net gearing. Net gearing measures the total borrowings less cash and cash equivalents divided by shareholders’ funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

	31 December 2019 £’000	30 June 2019 £’000
Total borrowings ^A	44,895	24,877
Cash and short term deposits	249	668
Investments in AAA-rated money market funds	23,060	15,911
Amounts due from brokers	534	326
Amounts payable to brokers	-	(432)
Total cash and cash equivalents ^B	23,843	16,473
Gearing (borrowings less cash & cash equivalents) (A-B)	21,052	8,404
Shareholders’ funds	627,318	542,694
Net gearing	3.4%	1.5%

Alternative Performance Measures continued

Ongoing charges ratio. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average net asset values throughout the year. The ratio reported at 31 December 2019 includes actual costs and charges for the six months and includes a forecast for costs, charges and the asset base for the remaining six months of the financial year ending 30 June 2020.

	31 December 2019 ^A £'000	30 June 2019 ^B £'000
Investment management fees	4,400	3,564
Administrative expenses	807	699
Less: non-recurring charges ^C	(8)	-
Ongoing charges	5,199	4,263
Average net assets	588,288	475,484
Ongoing charges ratio	0.88%	0.90%

^A Forecast ratio for the year ending 30 June 2020, based on estimates as at 31 December 2019.

^B For the year ended 30 June 2019.

^C Comprises professional fees not expected to recur.

The other ongoing costs reported in the Company's Key Information Document is calculated in line with the PRIIPs regulations, which includes the ongoing charges ratio and the financing and transaction costs.

Total return. NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

The table below provides information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the period and the resultant total return.

In order to calculate the total return for the period, returns are calculated on each key date during the period and then the return for the period is derived from the product of these individual returns. Dividends are reported on their ex-dividend date and are added back to the NAV or share price to calculate the return for that period.

Six months ended 31 December 2019	Dividend rate	NAV	Share price
30 June 2019	N/A	539.54p	491.50p
3 October 2019	6.10p	512.72p	475.50p
31 December 2019	N/A	626.69p	638.00p
Total return		+17.5%	+31.5%

Investor Information

Alternative Investment Fund Managers Directive (“AIFMD”) and Pre-Investment Disclosure Document (“PIDD”)

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services, London Branch as its depository under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: standardlifeuksmallercompaniestrust.co.uk.

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: fca.org.uk/consumers/scams.

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Corporate Information). Changes of address must be notified to the Registrars in writing.

If you have any general questions about your Company, the Manager or performance, please telephone the Aberdeen Standard Investments Customer Services Department, send an email to inv.trusts@aberdeenstandard.com or write to Aberdeen Standard Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2019/20 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account (“ISA”), or through the many broker platforms which offer the opportunity to acquire shares in investment companies.

Aberdeen Standard Investments Children's Plan

Aberdeen Standard Investments operates an Investment Plan for Children (the “Children's Plan”) which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the “Plan”) through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT.

Investor Information continued

There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2019/20 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

Keeping You Informed

Further information about the Company may be found on its dedicated website:

standardlifeuksmallercompaniestrust.co.uk.

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Alternatively, please call **0808 500 0040** (Freephone) or email **inv.trusts@aberdeenstandard.com** or write to the address for Aberdeen Standard Investment Trusts stated above.

Details are also available at: **invtrusts.co.uk**.

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

Literature Request Service

For literature and application forms for Aberdeen Standard Investments' investment trust products, please visit:

invtrusts.co.uk or:

Tel: **0808 500 4000**

Or write to:

Aberdeen Standard Investment Trusts, PO Box 11020
Chelmsford, Essex CM99 2DB

Terms and Conditions

Terms and conditions for Aberdeen Standard Investments managed savings products can also be found under the Literature section of our website at: **invtrusts.co.uk**.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking long-term capital growth by investment in UK-quoted smaller companies, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: pimfa.co.uk.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: unbiased.co.uk.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: **0800 111 6768**

Visit: fca.org.uk/firms/financial-services-register

Email: consumer.queries@fca.org.uk

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 29 to 31 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

Allister Langlands (Chairman)
Liz Airey
Ashton Bradbury
Alexa Henderson
Caroline Ramsay
Tim Scholefield

Registered Office and Company Secretary

Aberdeen Asset Management PLC
1 George Street
Edinburgh EH2 2LL

Alternative Investment Fund Manager

Aberdeen Standard Fund Managers Limited
1 George Street
Edinburgh EH2 2LL

Aberdeen Standard Customer Services Department, Children's Plan, Share Plan and ISA enquiries

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PO Box 11020
Chelmsford
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Freephone: 0808 500 0040
(open Monday to Friday, 9.00 a.m. to 5.00 p.m.,
excluding public holidays in England and Wales)
Email: inv.trusts@aberdeenstandard.com

Company Registration Number

SC145455 (Scotland)

Website

standardlifeuksmallercompaniestrust.co.uk

Registrar

Computershare Investor Services PLC
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Fax: 0370 703 6101

Website: computershare.com/uk

Depository

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London NW1 6AA

Stockbroker

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Auditor

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Legal Entity Identifier ("LEI")

213800UUKA68SHSJBE37

