



# abrdn Smaller Companies Income Trust plc

## Hunting smaller companies for a stronger income

Performance Data and Analytics to 31 October 2023

### Strategic review

Following the Company's announcement of a strategic review on 13 February 2023, the Board of abrdn Smaller Companies Income Trust (ASCI) has conducted a thorough and extensive review of options for the future of the Company. After detailed negotiations, the Board announced on 26 July 2023 that it has agreed terms with the board of Shires Income PLC for a combination of the assets of ASCI and Shires (the 'Proposals'). The terms of the Proposals have been improved, substantially so in relation to the Cash Option, from a proposal that Shires presented to the Company in February (prior to the commencement of the strategic review). Both investment trusts, which are managed by abrdn, have UK equity income as a key part of their investment objectives, including exposure to UK smaller companies.

### Investment objective

To provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of smaller UK companies and UK fixed income securities.

### Benchmark

Numis Smaller Companies ex Investment Trusts Index (from 1 January 2020). FTSE SmallCap (ex Investment Companies) Index total return (up to 31 December 2019).

### Cumulative performance (%)

	as at 31/10/23	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	235.0p	(9.3)	(12.7)	(7.1)	9.8	(2.0)	9.3
NAV <sup>a</sup>	248.8p	(7.4)	(10.6)	(11.9)	(3.1)	(10.7)	(3.9)
Benchmark		(7.0)	(10.5)	(9.7)	0.8	13.2	1.0

### Discrete performance (%)

	31/10/23	31/10/22	31/10/21	31/10/20	31/10/19
Share Price	9.8	(35.2)	37.8	(2.6)	14.4
NAV <sup>a</sup>	(3.1)	(35.5)	42.9	(2.8)	10.7
Benchmark	0.8	(22.3)	44.5	(10.6)	(0.2)

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis. Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value. Source: abrdn Investments Limited, Lipper and Morningstar.

Past performance is not a guide to future results.

<sup>a</sup> Including current year revenue.

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### Morningstar Sustainability Rating™



### Morningstar Rating™



#### <sup>b</sup> Morningstar Rating™ for Funds

Morningstar rates funds from one to five stars based on how well they've performed (after adjusting for risk and accounting for all sales charges) in comparison to similar funds.

### Ten largest equity holdings (%)

4imprint	4.1
Morgan Sindall	3.9
Hollywood Bowl	3.8
Games Workshop	3.7
Bytes Technology	3.7
Greggs	2.9
Telecom Plus	2.7
Softcat	2.6
Sirus Real Estate	2.5
Intermediate Capital	2.4
<b>Total</b>	<b>32.3</b>

**Total number of investments 35**

### Sector allocation (%)

Financials	23.8
Consumer Discretionary	22.6
Industrials	13.8
Real Estate	11.7
Technology	8.8
Consumer Staples	7.4
Energy	7.3
Telecommunications	4.7
<b>Total</b>	<b>100.0</b>

All sources (unless indicated): abrdn: 31 October 2023.



# abrdrn Smaller Companies Income Trust plc

## Key information Calendar

Year end	31 December
Accounts published	March
Annual General Meeting	April
Dividend paid	January, April, July, October
Established	1992
Fund managers	Abby Glennie Amanda Yeaman
Ongoing charges <sup>c</sup>	1.34%
Annual management fee <sup>d</sup>	0.75% of net assets
Premium/(Discount)	(5.6)%
Yield <sup>e</sup>	4.4%
Active share <sup>f</sup>	85.4%

## Gearing (%)

Net <sup>g</sup>	nil
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## AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

## Assets/Debt

	£'000	%
Total investments	38,953	70.8
Cash & cash equivalents	15,978	29.0
Other net assets	88	0.2
Debt	-	0.0
<b>Net assets</b>	<b>55,019</b>	<b>100.0</b>

## Capital structure

Ordinary shares	22,109,765
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## 1 Year Premium/Discount Chart (%)



## Fund managers' report

### Market review

UK equities slumped in October as global markets were hit by fears of widening conflict in the Middle East and the possibility of further interest rate rises in the US. On the domestic front, inflation remained stuck at the highest level among all the G7 nations while analysts increasingly expect Britain to enter recession over the winter. Overall, the blue-chip FTSE-100 Index made a total return of -3.7% while the more domestically focused FTSE 250 Index fell 6.3%. The FTSE Small Cap Index, meanwhile, declined 5.9%.

New data showed the UK inflation rate as measured by the Consumer Prices Index had remained unchanged at 6.7% in September, with slowing food price rises offset by an increase in fuel costs. The Office for National Statistics said the British economy had expanded marginally in August while figures published by S&P Global indicated that both business output and confidence had declined during October. House prices continued to fall while construction-sector activity was reported to have declined in September at its fastest pace since early 2020.

### Performance

On a net asset value total return basis, the Trust outperformed the Numis Smaller Companies (excluding Investment Companies) Index in October. The largest contributor to returns was the holding in Hollywood Bowl Group, which was positive after the company reported it was trading ahead of expectations, with an acceleration in like-for-like sales growth in the UK driving upgrades. Shares in Telecom Plus advanced on the back of a strong first half of 2023, with

## Fund managers' report continues overleaf

<sup>c</sup> Expressed as a percentage of average daily net assets for the year ended 31 December 2022. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.

<sup>d</sup> 0.75% per annum of the value of the Company's net assets.

<sup>e</sup> Calculated using the Company's historic net dividends and month end share price.

<sup>f</sup> The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.

<sup>g</sup> Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

# abrdn Smaller Companies Income Trust plc

## Fund managers' report – continued

the company comfortably achieving double-digit growth. Bytes Technology Group added to performance after reporting strong delivery on its first-half targets and an upbeat outlook.

Conversely, the Trust's holding in XP Power underperformed after the company was forced to lower its profit forecast. Energean shares also declined due to the risks presented to the company's activities in the eastern Mediterranean by the Israel-Palestine conflict. Finally, the holding in Softcat detracted despite the company reporting trading results that were overall in line with expectations. Apparent weakness in the firm's topline hardware revenues was mainly the result of comparisons with 2022, when a large contract was signed, while its client-devices business underperformed.

### Activity

We significantly reduced the Trust's holding in Marshalls during the month based on the company's poor score on our analysis matrix as well as its weaker outlook, with recovery from recent difficulties likely to take longer than previously expected.

### Outlook

While there has been some positive news in the UK with regard to interest rates and inflation prints, the global picture is less supportive. The outlook for UK consumer spending is arguably improving, with inflation past its worst, continued wage rises helping affordability and ongoing resilience in the labour market, although difficulties around mortgage renewals and rent increases persist.

The company earnings picture has also become more challenging. October saw a sharp downwards move in earnings reporting, with significant downgrades prompting large and sudden declines in the prices of individual shares. This is a disappointing development after a strong trend of improving earnings since the turn of the year. The theme of delayed decision-making remains a risk, as do downgrades of businesses exposed to more cyclical industries.

Despite the recession risks, there have been only limited signs of UK markets favouring businesses with strong quality characteristics. To date, the key drivers of sentiment have been earnings momentum, upgrades and downgrades and, as such, our focus remains strongly on those company-specific fundamentals. The UK government's autumn budget is scheduled for late November and this has the potential to deliver beneficial increases in ISA allowances, among other changes. Externally, we continue to see unsettling geopolitical events such as conflict in Israel, the continuation of the war in Ukraine and further rises in oil prices.

**The risks outlined overleaf relating to gearing and smaller companies are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.  
Important information overleaf**

## Allocation of management fees and finance costs

Capital	70%
Revenue	30%

## Trading details

Reuters/Epic/ Bloomberg code	ASCI
ISIN code	GB0008063728
Sedol code	0806372
Stockbrokers	WINS Investment Trusts
Market makers	CFEP, INV, JPMS, WINS



## Factsheet

Receive the factsheet by email as soon as it is available by registering at [www.investments.co.uk/signup](http://www.investments.co.uk/signup) or [www.abrdnsmallercompaniesincome.co.uk](http://www.abrdnsmallercompaniesincome.co.uk)



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## Important information

### Risk factors you should consider prior to investing:

- The value of investments, and the income from them, can go down as well as up and investors may get back less than the amount invested.
- Past performance is not a guide to future results.
- Investment in the Company may not be appropriate for investors who plan to withdraw their money within 5 years.
- The Company may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that any movement in the value of the company's assets will result in a magnified movement in the NAV.
- The Company may accumulate investment positions which represent more than normal trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Company's shares.
- The Company may charge expenses to capital which may erode the capital value of the investment.
- The Company invests in smaller companies which are likely to carry a higher degree of risk than larger companies.
- Derivatives may be used, subject to restrictions set out for the Company, in order to manage risk and generate income. The market in derivatives can be volatile and there is a higher than average risk of loss.
- There is no guarantee that the market price of the Company's shares will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of the Company's shares purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread. If trading volumes fall, the bid-offer spread can widen.
- Certain trusts may seek to invest in higher yielding securities such as bonds, which are subject to credit risk, market price risk and interest rate risk. Unlike income from a single bond, the level of income from an investment trust is not fixed and may fluctuate.
- With funds investing in bonds there is a risk that interest rate fluctuations could affect the capital value of investments. Where long term interest rates rise, the capital value of shares is likely to fall, and vice versa. In addition to the interest rate risk, bond investments are also exposed to credit risk reflecting the ability of the borrower (i.e. bond issuer) to meet its obligations (i.e. pay the interest on a bond and return the capital on the redemption date). The risk of this happening is usually higher with bonds classified as 'sub-investment grade'. These may produce a higher level of income but at a higher risk than investments in 'investment grade' bonds. In turn, this may have an adverse impact on funds that invest in such bonds.
- Specialist funds which invest in small markets or sectors of industry are likely to be more volatile than more diversified trusts.
- Yields are estimated figures and may fluctuate, there are no guarantees that future dividends will match or exceed historic dividends and certain investors may be subject to further tax on dividends.

### Other important information:

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