abrdn Smaller Companies Income Trust plc

Hunting smaller companies for a stronger income

Performance Data and Analytics to 31 August 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 31/08/23	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	260.0p	(4.4)	1.4	(2.5)	0.5	8.7	10.3
NAV[A]	275.9p	(1.8)	(1.7)	(6.0)	(5.2)	(7.1)	(6.4)
Benchmark		(2.6)	2.0	(4.0)	4.2	23.3	2.0

Discrete performance (%)

	31/08/23	31/08/22	31/08/21	31/08/20	31/08/19
Share Price	0.5	(26.0)	46.0	(0.6)	2.0
NAV[A]	(5.2)	(31.2)	42.4	5.9	(4.8)
Benchmark	4.2	(20.8)	49.3	(7.6)	(10.5)

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.

[A] Including current year revenue.
[B] The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to: http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term. Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term. Long term is defined as a full market cycle or at least five years. Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit http://global.morningstar.com/managerdisclosures.

Morningstar Sustainability Rating™

Morningstar Rating™

★

[B] **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	3.8
Morgan Sindall	3.7
Games Workshop	3.7
Bytes Technology	3.3
Hollywood Bowl	3.2
discoverIE	2.9
Tatton Asset Management	2.8
Alpha FMC	2.8
Softcat	2.8
Greggs	2.7
Total	**31.7**

Total number of investments 51

Sector allocation (%)

Industrials	25.6
Financials	23.3
Consumer Discretionary	17.6
Technology	9.5
Real Estate	9.1
Consumer Staples	6.6
Energy	4.6
Telecommunications	3.7
Total	**100.0**

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

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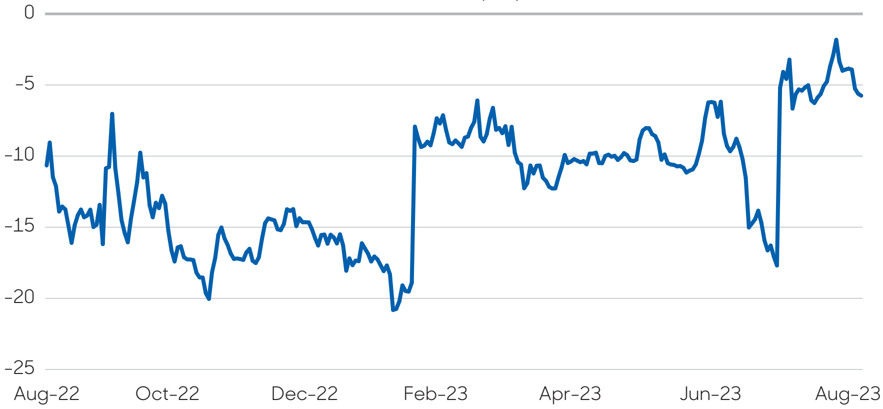
1 Year Premium/Discount Chart (%)



Fund managers' report

Market Review

UK equities lost ground in August on fears that the ongoing programme of interest-rate rises could stifle domestic growth. Investors were also concerned about reports of continued weakness in the Chinese economy and the consequent possibility of a global downturn. There was a partial recovery towards the end of the month as particularly weak private-sector data in Britain put pressure on the Bank of England (BoE) to rethink its plans for further rate hikes over the rest of the year. Overall, the blue-chip FTSE 100 Index made a total return of -2.6% while the mid-cap FTSE 250 Index fared only slightly better (-2.4%). The FTSE Small Cap Index, meanwhile, returned -2.9%.

The BoE raised interest rates by 0.25% early in the month, taking the base rate to 5.25%. At the time, officials said they expected rates to rise to just over 6% in the medium term, although the market's expectations of the UK base-rate peak declined over the course of the month. New data showed the inflation rate as measured by the Consumer Prices Index (CPI) had fallen to 6.8% in July, although core inflation, which excludes more volatile energy and food costs, held firm at 6.4%. Meanwhile, wage growth in the UK hit a record high. Figures published by S&P Global indicated that business output was falling at its fastest rate in more than two years, with performance in the manufacturing sector especially weak. A fresh decline in mortgage approvals and property market activity hit firms in the construction industry, although housebuilders welcomed new government proposals to ease planning restrictions.

Performance

The Trust delivered a net asset value total return of -1.4% in August but outperformed the Numis Smaller Companies (excluding Investment Companies) Index, which returned -2.7%. Shares in 4Imprint Group rose after

Fund managers' report continues overleaf

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[C]	1.34%
Annual management fee[D]	0.75% of net assets
Premium/(Discount)	(5.7)%
Yield[E]	3.9%
Active share[F]	82.9%

Gearing (%)

Net[G]	nil

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Assets/Debt

	£'000	%
Total investments	57,204	93.8
Cash & cash equivalents	3,725	6.1
Other net assets	61	0.1
Debt	-	-
Net assets	**60,990**	**100.0**

Capital structure

Ordinary shares	22,109,765

Allocation of management fees and

[C] 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.
[D] 0.75% per annum of the value of the Company's net assets.
[E] Calculated using the Company's historic net dividends and month end share price.
[F] The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.
[G] Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

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Fund managers' report - continued

the publication of a trading statement that showed last year's impressive growth had continued into 2023. Meanwhile, our holdings in both Hollywood Bowl Group and Tatton Asset Management added to performance after the companies' shares recovered from their July falls.

On the negative side, the Trust's holding in Somero Enterprises detracted as the company's shares declined. Greggs weighed on returns after a slowdown in like-for-like sales spooked investors. However, the company's recent cost rises appear to be abating. DiscoverIE Group also underperformed despite issuing a trading statement that was in line with investor expectations.

Activity

We reduced the Trust's holding in Mortgage Advice Bureau during the month.

ESG engagement

We met with the management team at infrastructure manufacturer Hill & Smith to discuss the company's approach to environmental, social and governance issues. Sustainability is a structural growth driver for the business and it has established a commitment to be net zero for scope 1 and 2 emissions by 2040, and across the whole value chain by 2050. The company has continued to focus on local energy-saving initiatives as well as the refinement of its decarbonisation roadmap.

Outlook

We remain in an environment heavily influenced by macroeconomic conditions, with bond yields having been a key driver of market shape and direction in recent months. With essentially risk-free returns currently available at an attractive mid-single-digit level, the interest in equities continues to look challenging in the near term. August saw another sharp fall in CPI and inflation is now beginning to fall significantly. With base rates close to peaking, the economic context is changing. If we are indeed close to the peak in interest rates then the future looks better than the past for equities, in particular in the UK market where we are coming off inflation levels that have been higher than in many other major economies. The end of the tightening cycle will come as a relief and we feel this environment can be an attractive one for investors who are focused on stock picking, where earnings momentum becomes more of a driver of share prices. Easing yields and falling inflation should create conditions that are more favourable to quality/growth investment strategies than has been the case over the last 18 months.

We have continued to see some strong market reactions to earnings momentum, with companies that have published earnings upgrades being rewarded and vice-versa. This has also favoured a number of more cyclical names as well as those emerging from tough trading periods, where expectations are very low and the potential for a positive rebound – through earnings revisions and stock re-ratings – is large. Although the outlook for the UK economy remains uncertain while interest rates remain high, we believe quality companies will be sought after. Many of our holdings have low debt levels and some have net positive cash balance sheets: this should give them the confidence to continue investing in their businesses, either organically or through accretive bolt-on acquisitions.

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

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.invtrusts.co.uk/signup
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:

For more information visit invtrusts.co.uk