

Key risk factors

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

The Company's investments may be subject to liquidity constraints, which means that shares may trade less frequently and in small volumes, for instance smaller companies. As a result, changes in the value of investments may be more unpredictable. In certain cases, it may not be possible to sell the security at the last market price quoted or at a value considered to be fairest.

Overseas investments will be affected by currency exchange rate fluctuations.

The Company may from time to time utilize gearing. A fuller definition of gearing is given in the glossary.

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

The latest performance data can be found on the BlackRock Investment Management (UK) Limited website at: blackrock.com/uk/brsc.

blackrock.com/uk/brsc

The information contained in this release was correct as at 31 January 2024. Information on the Company's up to date net asset values can be found on the London Stock Exchange Website at: <https://www.londonstockexchange.com/news?tab=news-explorer>

Company objective

To achieve long term capital growth for shareholders through investment mainly in smaller UK quoted companies.

Fund information (as at 31/01/24)

Net asset value capital only (debt at par value)	1,462.01p
Net asset value capital only (debt at fair value)	1,512.19p
Net asset value incl. income (debt at par value) ¹	1,486.24p
Net asset value incl. income (debt at fair value) ¹	1,536.43p
Share price	1,336.00p
Discount to NAV incl. income (debt at par value)	10.1%
Discount to NAV incl. income (debt at fair value)	13.0%
Net yield ²	3.0%
Gross assets ³	£788.0m
Gearing range as a % of net assets	0-15%
Net gearing including income (debt at par)	9.0%
Ongoing charges ratio ⁴	0.7%
Issued capital – ordinary shares (excluding shares in treasury) ⁵	48,202,292

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

¹ Includes net revenue of 24.23p

² Yield calculations are based on dividends announced in the last 12 months as at the date of release of this announcement and comprise the first interim dividend of 15.00 pence per share (announced on 26 October 2023, ex-dividend on 2 November 2023, and paid on 4 December 2023) and the final dividend of 25.50 pence per share (announced on 05 May 2023, ex-date on 18 May 2023, and paid 27 June 2023).

³ Includes current year revenue.

⁴ The Company's ongoing charges are calculated as a percentage of average daily net assets and using the management fee and all other operating expenses excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation and certain non-recurring items for year ended 28 February 2023.

⁵ Excludes 2,321,231 ordinary shares held in treasury.

Annual performance to the last quarter end (as at 31 December 2023)

Sterling	31/12/22 31/12/23 %	31/12/21 31/12/22 %	31/12/20 31/12/21 %	31/12/19 31/12/20 %	31/12/18 31/12/19 %
Net asset value	5.3	-36.7	57.8	-3.2	-4.6
Share price	6.2	-39.5	72.1	-9.5	-1.7
Benchmark ¹	3.3	-26.9	45.7	-2.8	-7.3

Cumulative performance (as at 31/01/24)

Sterling	1M%	3M%	1Y%	3Y%	5Y%
Net asset value	-0.1	13.1	-2.4	-4.5	24.8
Share price	-3.3	16.0	-1.1	-12.3	16.4
Benchmark ¹	-1.6	13.1	-3.3	-5.5	15.7

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Source: BlackRock and Datastream, 31 January 2024

¹ The Company's benchmark is the Numis Smaller Companies plus AIM (ex Investment Companies) Index.

The annual Net Asset Value (NAV) performance statistics to the last quarter end in the first table above are based on a NAV including income and with debt at par, with any dividends reinvested on the ex-dividend date, net of ongoing charges and any applicable performance fee. The annual Net Asset Value (NAV) performance statistics in the second table above are based on a NAV including income and with debt at fair value, with any dividends reinvested on the ex-dividend date, net of ongoing charges and any applicable performance fee.

Share price performance calculations also include dividend reinvestment. The debenture stock and long dated notes issued by the Company are valued at par which represents the value due to be paid to holders of the debt at maturity. The debenture and the long dated notes are forms of long term loan. Additional definitions are given in the glossary.

A fuller definition of ongoing charges, which includes the annual management fee, is given in the glossary. Details of the management fee are given in the key company details section overleaf. Share price performance figures are calculated on a mid market basis in sterling terms with income reinvested on the ex-dividend date.

The performance of the Company's portfolio, or NAV performance, is not the same as share price performance and shareholders may not realise returns which are the same as NAV performance. The latest performance data can be found on the BlackRock Investment Management (UK) Limited website at: blackrock.com/uk/brsc.



Money Observer's Rated Funds recognise open-ended funds and closed-ended investment companies that have demonstrated consistent outperformance or that have been chosen as ideal routes into specific markets and sectors in the current investment environment.

Effective date: 7 February 2020



Highly commended (runner up) in the Moneywise Investment Trust Awards 2020.

Effective date: 29 March 2020

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Comments from the Portfolio Manager, Roland Arnold

Please note that the commentary below includes historic information on the Company's NAV performance and index performance.

The figures shown relate to past performance. Past performance is not a reliable indicator of future results.

During January the Company's NAV per share returned by -0.1% to 1,536.43p on a total return basis, while our benchmark index returned -1.6%.¹

The UK market fell during January as investors scaled back their expectations of rate cuts from the Bank of England after a surprise increase in UK inflation in December. Consumer prices rose at a rate of 4%, up from 3.8% in November; the first month on month increase in almost a year. Services inflation rose to 6.4% in December from 6.3% in November and core inflation was 5.1% in December, unchanged from the previous month. The release of the consumer confidence index in the UK indicated a rise of three points month-on-month to minus 19; the third consecutive month-on-month increase and a two-year high. Notably, consumer expectations of personal finance for the next 12 months were positive for the first time in two years. January's purchasing manager index reading indicated economic activity rising at the fastest pace in seven months. In addition, wage growth in the UK slowed to 6.5% in the three months to November, down from a peak of 8.5% in the summer.

Shares in 4imrpint surged after the company announced solid progress through the course of 2023 and as a result upgraded full year guidance. SigmaRoc reported impressive trading with upgrades to full-year guidance despite a reduction in volumes. The company has completed a number of acquisitions throughout 2023 which are integrating well, and in November announced the significant acquisition of CRH's limestone assets. SigmaRoc management remain confident on their prospects, with ongoing strength in infrastructure and industrial markets and potential for a recovery in residential construction. Defence technology business QinetiQ was another top contributor during the month as their Q3 trading update was received well by the market. The cash flow generation was of particular importance as the company had disappointed the market with poor working capital management at the interim stage.

The largest detractor was Watches of Switzerland. The company issued a profit warning in the month which showed a deceleration in sales in lower/mid-tier watches and jewellery in the UK. More importantly, the company flagged a profit shortfall in the US caused by a change in product mix supply from Rolex, where they received a greater number of lower value steel watches and less high end-end gold watches. Given gold watches can sell at c.3x the price of steel, the impact on ASP (average selling price) for the group was significant and was the primary cause of the downgrade. We continue to like the industry dynamics for luxury watches, however, as a result of these developments we have significantly reduced the position within the portfolio. Mobile commerce business, Bango, warned that full year earnings will be below analyst expectations as a result of lower than expected revenue recognition due to customer launch timings and additional

unplanned costs. Shares in Big Technologies fell after the company warned that its electronic tagging contract with a large Colombian based client would be coming to an end during the first half of 2024. Furthermore, investments made during 2023, which are expected to accelerate sales in the medium term, are expected to reduce margins until the new sales are realised.

Since the end of 2021 rising interest rates have been weighing on the valuations of long-duration, higher growth shares in the stock market. As a result, UK small & mid-caps have continued to underperform large caps and we are now in the deepest and longest cycle of underperformance in recent history; worse than the Global Financial Crisis, COVID, Brexit, Tech sell-off or Black Monday. The fourth quarter of 2023 saw markets reflect the expectation of rate cuts in 2024 in response to easing inflation data. However, as we have entered 2024, the backup in bond yields has led to a volatile start to the year in equity markets.

Against this backdrop, the question remains, what is the catalysts for this trend to change? Unfortunately, there is no simple answer. While there are many headwinds to the UK SMID market; economic uncertainty, political uncertainty, the structural flow issues in the UK market, the risk of more pervasive inflation, to name a few, we remind ourselves and take comfort in the fact that many of our holdings continue to deliver against their objectives. Furthermore, we believe we are closer to the end of monetary tightening and at some point, we are confident that investors will decide the balance of probabilities is in favour of the opportunities, that the risks are more than adequately priced in, and that an increased allocation to UK small and mid-caps is warranted.

As ever, we remain focused on the micro, industry level change and stock specific analysis and the opportunities we are seeing today in our universe are as exciting as ever. Historically, periods of heightened volatility have been followed by strong returns for the strategy and presented excellent investment opportunities.

We thank shareholders for your ongoing support.

¹Source: BlackRock as at 31 January 2024

Unless otherwise stated all data is sourced from BlackRock as at 31 January 2024.

Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

Ten Largest Equity Investments (as at 31/01/24)

Company	% of portfolio
Gamma Communications	2.6
4imprint Group	2.4
Workspace Group	2.2
Hill & Smith	2.2
Chemring Group	2.2
CVS Group	2.1
YouGov	2.0
Breedon	1.9
Bloomsberry Publishing	1.9
IntegraFin	1.8

Sector allocations (as at 31/01/24)	% of portfolio
Industrials	34.7
Consumer Discretionary	18.9
Financials	16.4
Basic Materials	8.2
Technology	7.4
Consumer Staples	3.4
Telecommunications	2.6
Energy	2.5
Health Care	2.4
Real Estate	2.3
Communication Services	1.2
Total	100.0

Allocations are as of date shown and do not necessarily represent current or future portfolio holdings. **Risk:** The specific companies identified and described above do not represent all of the companies purchased or sold, and no assumptions should be made that the companies identified and discussed were or will be profitable. This should not be construed as investment advice or investment recommendation of those companies.

A full disclosure of portfolio investments for the BlackRock Smaller Companies Trust plc as at 30 September 2023 has been made available on the Company's website at the link given below:
<https://www.blackrock.com/uk/individual/literature/policies/brsct-portfolio-disclosure.pdf>

Country allocations (as at 31/01/24)	% of total assets
United Kingdom	98.0
United States	1.4
Ireland	0.6
Total	100.0

Allocations are as of date shown and do not necessarily represent current or future portfolio holdings.

Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

Key company details

Fund characteristics:

Launch date	May 1906
Dealing currency	Sterling
Association of Investment Companies sector (AIC)	UK Smaller Companies
Benchmark	Numis Smaller Companies plus AIM (ex Investment Companies)
Traded	London Stock Exchange

Management:

Alternative Investment Fund Manager (with effect from 2 July 2014)	BlackRock Fund Managers Limited
Portfolio manager	Roland Arnold

Annual management fee	BlackRock receives an annual fee which is calculated based on 0.60% in respect of the first GBP 750m of the Company's total assets less current liabilities, reducing to 0.50% thereafter. There are no performance fee arrangements in place.
-----------------------	--

Financial calendar:

Fund codes:

Year end	28 February	ISIN	GB0006436108
Results announced	October/ November (half yearly) April/May (final)	Sedol	0643610
Annual General Meeting	June	Bloomberg	BRSC:LN
		Reuters	BRSC.L
Dividends paid	December and June	Ticker	BRSC/LON

Want to know more?

blackrock.com/uk/brsc | Tel: 0207 743 3000 | cosec@blackrock.com

Glossary of Terms

AIM

AIM is the London Stock Exchange's international market for smaller growing companies. The AIM market has no restrictions on market capitalisation, and financial reporting is more flexible than for companies listed on the main market of the London Stock Exchange.

Long Term Note

A long term note is also a form of long term loan. The Company has in issue a £25 million long term note which redeems in 2037 and carries an interest cost of 2.74%, a £20 million long term note which redeems in 2044 and carries an interest cost of 2.41% and a £25 million long term note which redeems in 2046 and carries an interest cost of 2.47%.

Discount/Premium

Investment trust shares frequently trade at a discount or premium to the NAV. This occurs when the share price is less than (a discount) or more than (a premium) the NAV. The discount or premium is the difference between the share price (based on mid-market share prices) and the NAV, expressed as a percentage of the NAV. Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

Gearing

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favorable situation or a particularly attractive stock without having to sell existing investments. Gearing works by magnifying the company's performance. If a company 'gears up' and then markets rise and the returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

Net yield

The net yield is calculated using total dividends declared in the last 12 months (as at date of this factsheet) as a percentage of the month end share price.

NAV (Net Asset Value) and diluted NAV

A company's undiluted NAV is its available shareholders' funds divided by the number of shares in issue (excluding treasury shares), before making any adjustment for any potentially dilutive securities which the Company may have in issue, such as subscription shares, convertible bonds or treasury shares. A diluted NAV is calculated on the assumption that holders of any convertibles have converted, subscription shares have been exercised and treasury shares are re-issued at the mid-market price, to the extent that the NAV per share is higher than the price of each of these shares or securities and that they are 'in the money'. The aim is to ensure that shareholders have a full understanding of the potential impact on the Company's NAV if these instruments had been exercised on a particular date.

Ongoing charges ratio

Ongoing charges (%) =

$$\frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management fee.

Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a Company's total issued share capital amount for the purpose of calculating percentage ownership. Treasury stock may have come from a repurchase or buyback from shareholders, or it may have never been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

Large, Mid and Small-Cap Companies

Companies are considered to be large, mid or small-cap based on the market capitalisation of a company, which is its overall value; the greater the value, the larger the cap. Large-caps are generally considered to be those that are listed in the FTSE 100 index. Mid-cap companies are generally considered to be those listed on the FTSE 250, which ranges from a market cap of approximately £4 billion down to £500 million. The FTSE Small Cap index includes stocks worth as little as £150 million.

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Trust Specific Risks

Smaller companies Risk. Smaller company investments are often associated with greater investment risk than those of larger company shares.

Gearing Risk. Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall.

Liquidity Risk. The Company's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Company may not be able to realise the investment at the latest market price or at a price considered fair.

Counterparty Risk. The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Equity risk. The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Derivative Risk general (derivatives, options, covered calls). The Company uses derivatives as part of its investment strategy. Compared to a fund which only invests in traditional instruments such as stocks and bonds, derivatives are potentially subject to a higher level of risk.

Investors should refer to offering documentation for the funds full list of risks.

Important Information

This document is marketing material. Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

The Company is managed by BlackRock Fund Managers Limited (BFM) as the AIFM. BFM has delegated certain investment management and other ancillary services to BlackRock Investment Management (UK) Limited. The Company's shares are traded on the London Stock Exchange and dealing may only be through a member of the Exchange. The Company will not invest more than 15% of its gross assets in other listed investment trusts. SEDOL™ is a trademark of the London Stock Exchange plc and is used under licence.

Net Asset Value (NAV) performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

BlackRock Smaller Companies Trust plc currently conducts its affairs so that their securities can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to nonmainstream investment products and intend to continue to do so for the foreseeable future. The securities are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream investment products because they are securities issued by investment trusts. Investors should understand all characteristics of the funds objective before investing. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in in local language in registered jurisdictions.

BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the fund specific risks in the Key Investor Document (KID) which gives more information about the risk profile of the investment. The KID and other documentation are available on the relevant product pages at www.blackrock.com/uk/its. We recommend you seek independent professional advice prior to investing.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

© 2024 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, and ISHARES are trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BlackRock