

abrdn Smaller Companies Income Trust plc

Interim Report 30 June 2023

Hunting smaller companies for a stronger income

abrdnsmallercompaniesincome.co.uk

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Investment Objective and Purpose

The objective and purpose of the Company is to provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of UK smaller companies and UK fixed income securities.

Benchmark index

Numis Smaller Companies (excluding Investment Trusts) Index (total return) – effective from 1 January 2020; FTSE Small Cap Index (excluding Investment Trusts) Index (total return) – up to 31 December 2019.

Performance Highlights

Performance Highlights

Net asset value total return[A]

Six months ended 30 June 2023

-0.7%

Year ended 31 December 2022: -33.2%

Numis Smaller Companies ex Inv Trust Index

Six months ended 30 June 2023

+1.4%

Year ended 31 December 2022: -17.9%

Earnings per Ordinary share (revenue)

Six months ended 30 June 2023

6.52p

Six months ended 30 June 2022: 6.10p

Share price total return[A]

Six months ended 30 June 2023

+8.1%

Year ended 31 December 2022: -33.7%

Discount to net asset value[A]

As at 30 June 2023

9.3%

As at 31 December 2022: 16.3%

Net cash/(gearing)[A]

As at 30 June 2023

1.6%

As at 31 December 2022: -8.2%

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 25 and 27.

Performance (total return)

	Six months ended 30 June 2023	1 year ended 30 June 2023	3 years ended 30 June 2023	5 years ended 30 June 2023
Share price[A]	+8.1%	+1.8%	+6.2%	+0.4%
Net asset value per Ordinary share[A]	-0.7%	-5.2%	-0.6%	-6.7%
Composite benchmark[B]	+1.4%	+4.4%	+29.5%	+4.2%

[A] Considered to be an Alternative Performance Measure. Further details can be found on page 27.
[B] Comprises the Numis Smaller Companies (exc Inv Trusts) from 1 January 2020 and the FTSE SmallCap Index (exc Inv Trusts) up to 31 December 2019.
Source: aFML, Lipper & Morningstar.

Financial Calendar, Dividends and Highlights

Payment dates of quarterly dividends	January 2023 April 2023 July 2023 October 2023
Financial year end	31 December 2023
Extraordinary General Meetings	20 November 2023 1 December 2023

Financial Highlights

	30 June 2023	31 December 2022	% change
Shareholders' funds (£'000)	**61,397**	63,520	-3.3
Net asset value per Ordinary share (with debt at par value)	**277.69p**	287.29p	-3.3
Share price (mid-market)	**252.00p**	240.50p	+4.8
Discount to net asset value per Ordinary share[A]	**9.3%**	16.3%	
Net cash/(gearing)[A]	**1.6%**	(8.2%)	
Ongoing charges ratio[A]	**1.31%**	1.34%	

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 25 and 26.

"Since the year end, the Board has announced, on 13 February 2023, a review to consider the future of the Company (the "Strategic Review") and more recently, on 26 July 2023, the results of the Strategic Review: that the Board has agreed heads of terms with the board of Shires Income plc ("Shires") for a combination of the assets of the Company with the assets of Shires, with the alternative of a full cash exit."

Dagmar Kent Kershaw, Chair

Chair's Statement

Introduction

Since the year end, the Board has announced, on 13 February 2023, a review to consider the future of the Company (the "Strategic Review") and more recently, on 26 July 2023, the results of the Strategic Review: that the Board has agreed heads of terms with the board of Shires Income plc ("Shires") for a combination of the assets of the Company with the assets of Shires. If approved by the shareholders of each company, the combination of assets will be implemented by way of a scheme of reconstruction and members' voluntary winding up of the Company under section 110 of the Insolvency Act and the associated transfer of assets to Shires (the "Proposals").

The Board was very satisfied with the interest shown in the Strategic Review, with proposals received from more than a dozen candidates, and is now pleased to recommend the Proposals to shareholders of the Company.

We believe the Proposals will provide an attractive and potentially growing level of dividend and the potential for future capital growth, whilst also allowing you to retain some exposure to smaller companies overseen by the UK Equities team at abrdn. Shareholders can choose to rollover into Shires or receive cash for all or some of their shareholding, as calculated at the cut-off date, on materially improved terms to those which Shires proposed prior to the Strategic Review. The default option under the Scheme is for shareholders to receive new shares in Shires.

The Proposals will be subject to the approval of shareholders of the Company and Shires, as well as regulatory and tax approvals. Further details will be in the circular, which is expected to be published in the coming weeks.

The Board believes that the Proposals as a whole are in the best interests of the Company. In the event that the scheme of reconstruction does not go-ahead, then the Company will make an announcement to the London Stock Exchange and on the Company's website. We therefore encourage shareholders to check for such updates.

Performance

During what has been a very challenging economic environment for smaller companies, the Company's net asset value for the six month period to 30 June 2023 underperformed its benchmark, the Numis Smaller Companies ex Investment Companies Index, by 2.1%, returning -0.7% on a total return basis, versus a benchmark return of 1.4%.

Share price performance over the six month period was more positive, with a return of +8.1%.

Discount

The Company's discount to net asset value as at 30 June 2023 stood at 9.3%, compared with 16.3% at the end of December 2022. The narrowing of the discount reflects the positive market sentiment which followed the announcement of the Strategic Review. At the time of writing it is also encouraging to see that, following the announcement of the results of the Strategic Review, the Company's discount remains at these lower levels.

Company Gearing and Debt

In April 2023, the Company's £5 million fixed rate loan with the Royal Bank of Scotland International Limited, London Branch expired and, in light of the Strategic Review at that time, the Board decided not to renew it.

The Company's £5 million revolving credit facility remained in place and at 30 June 2023, £2 million was drawn down under this facility.

This resulted in a reduction in the Company's gearing level, which stood at 1.6% at the end of June 2023, compared with 8.2% at the end of December 2022.

After the period end, the Board took the decision to repay the Company's remaining facility in full and the facility was cancelled on 7 August 2023.

Dividend

As announced with the results of the Strategic Review, the Company expects to pay out the vast majority of its accumulated revenue reserves via a pre-liquidation dividend to all shareholders. More details will be announced separately to the London Stock Exchange via a regulatory news service announcement.

For the first and second quarters of 2023, the Board announced dividends of 2.60p each per Ordinary share (2022 – 2.40p each), an increase on last year's equivalent figures of 8.3%.

The Board has been pleased with the strength of the dividends generated from the Company's portfolio holdings, which reflects the quality focus of these companies. We have seen companies with robust business models, strong balance sheets and the ability to defend margins against a challenging market back drop.

In recognition of this, the Board now declares a third interim dividend of 2.60p per share in respect of the year to 31 December 2023 payable on 27 October 2023 to shareholders on the register at close of business on 29 September 2023. The ex-dividend date is 28 September 2023.

More information on the Company's portfolio can be found in the Investment Manager's Review on pages 8 to 10.

General Meetings

The Board strongly encourages attendance at general meetings, where you are offered an opportunity to meet with the Board and representatives from the Manager face to face after the meeting.

Your Manager's presentation, which was delivered at the Annual General Meeting on 14 June 2023, is available to view on the Company's website, **abrdnsmallercompaniesincome.co.uk.**

The notice for the general meetings required to effect the Proposals will be circulated separately to all shareholders, together with the circular. As usual, shareholders are encouraged to lodge their proxy votes in advance of the meetings, irrespective of whether they are able to attend in person. You may also submit any questions in advance of the meetings by email to: **smallercompaniesincome@abrdn.co.uk.**

It is anticipated that the documentation in connection with the Proposals will be published during October, with a view to convening general meetings on 20 November 2023 and 1 December 2023 in order to complete the transaction before the end of the year.

Thus, if the necessary approvals are forthcoming, this will be my final statement as Chair of the Company. I would like to thank shareholders for their continuing support and all of the Company's service providers, including the Manager and the Investment Manager, particularly Abby Glennie and Amanda Yeaman, for all their hard work and stewardship of the Company's investments, through some very challenging times for the smaller companies sector. Whilst many of the challenges may remain, your Board believes that shareholders will continue to benefit from the Investment Manager's focus on high income and the potential upside presented under the merger Proposals.



Dagmar Kent Kershaw
Chair
13 September 2023

Other Matters

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has identified the principal risks and uncertainties facing the Company together with a description of the mitigating actions it has taken. These can be summarised under the following headings:

- Investment and Market
- Investment Portfolio Management
- Major Market Event, Climate Change or Geopolitical Development
- Income and Dividend
- Operational
- Gearing

Details of these risks are provided in detail on pages 23 to 25 of the Annual Report for the year ending 31 December 2022.

The Board monitors these principal risks closely and has a process to identify and assess emerging risks, such as climate change and geopolitical developments.

The Board is also aware of the elevated threat posed by climate change and continues to monitor, through the Investment Manager, the potential risk that the companies in the portfolio may fail to adapt to the requirements imposed by climate change.

In all other respects, the Company's principal risks have not changed materially since the year end, nor are they expected to change in the second half of the financial year ended 31 December 2023. Please note the material uncertainty with regard to the future of the Company outlined below.

Going Concern with Material Uncertainty

The Company's assets consist substantially of "Level One" securities in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale.

The Board has set gearing limits and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. During the period and in light of the Strategic Review, the Board has fully repaid the £5 million variable rate loan facility using the proceeds of the sale of investments and has terminated the loan facility with effect from 7 August 2023. The £5 million fixed rate loan facility expired in April 2023 and was not renewed. Accordingly, the Company no longer has a credit facility in place.

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014, taking account of the "Level One" assets (being realisable within a short timescale) and the fact that the Company no longer has any gearing, the Directors believe that adopting a going concern basis of accounting remains appropriate. The Company has adequate financial resources to continue in operational existence for the foreseeable future and at least twelve months from the date of approval of this Half Yearly Report.

Material Uncertainty

The Board announced a Strategic Review on 13 February 2023, which concluded on 26 July 2023 with the announcement of the proposed combination of the assets of the Company with the assets of Shires Income plc ("Shires"), subject to shareholder approval, through a tax efficient scheme of reconstruction under section 110 of the Insolvency Act 1986 (the "Proposals"). More detail can be found in the Chair's Statement on page 4 and in the RNS announcement dated 26 July 2023.

The Board believes that the Proposals are in the best interests of shareholders as a whole and recommends that shareholders vote in favour of the resolutions required to effect the Proposals. This would result in the voluntary liquidation of the Company. Due to the requirement for the Proposals to receive approval from the shareholders of both the Company and Shires (including the approval of independent shareholders in the Company for a related party transaction) there remains material uncertainty as to the future of the Company.

However, should the Proposals not receive the necessary shareholder approvals, the Board believes that other attractive options remain viable for shareholders, which can be pursued. The Board also believes that the investment objective remains relevant and the Company remains in a position to generate attractive returns for all shareholders. Accordingly, the Board has prepared the financial statements in this Half Yearly Report on a going concern basis.

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 International Accounting Standard 34 'Interim Financial Reporting';
- the Interim Board Report includes a fair review of the information required by rule 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 financial year); and
- the Interim Board Report includes a fair review of the information required by 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position 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 to 30 June 2023 comprises the Interim Board Report and a condensed set of financial statements.

For and on behalf of the Board
Dagmar Kent Kershaw,
Chair
13 September 2023

Investment Manager's Review

Overview

UK equities made steady gains over the first six months of 2023 but underperformed major markets in Europe and North America. Persistently high inflation rates, further increases in interest rates and a gloomy economic outlook were detrimental to the UK market. Overall, the UK's small and medium sized companies underperformed their blue-chip counterparts over the period. While the FTSE 100 Index returned 3.1%, the domestically focused FTSE 250 Index and FTSE Small Cap Index both declined by 0.6%.

Global equity markets remained volatile throughout the period, with the collapse of US-based Silicon Valley Bank and a loss of confidence in Switzerland's Credit Suisse in March 2023, sparking fears about the resilience of the global financial system. The prospect of a US government debt default also impacted markets in May 2023 before Congress eventually approved an eleventh-hour increase of the debt ceiling. Lacklustre economic data from China in the second quarter of 2023 also led to a weakening of commodities prices, which weighed on the UK's large-cap energy and mining stocks.

In economic news, inflation in the UK remained stubbornly high over the period, with a surprise rise in February 2023 and gradual declines in the months that followed. The Bank of England ("BoE") increased the base rate in the first half of the year in its ongoing efforts to bring price rises under control. The 0.5% increase in interest rates surprised markets in June and raised fears that further rate rises could be implemented later in the year. Higher interest rates led to a surge in mortgage costs for homeowners and prompted a sharp decline in construction sector and housing market activity.

Performance

In the first six months of the year, UK markets have been volatile, macro-driven and have sold-off heavily. The dominating market narrative is one of out-of-control inflation in the UK that requires the BoE to increase interest rates. Against this backdrop our quality, growth and momentum process has been out of favour. A series of four above expectation inflation reports have made it clear to investors that UK inflation is differentiated from that of the Eurozone or the US; with a combination of labour market shortages and a lack of productivity growth conspiring to embed inflation in the UK economy more than overseas. This excessive pessimism about inflation and monetary policy in the UK has constrained UK equity markets and has been the driving narrative for the first half of the year.

Overall, with the exception of the month of March 2023, when the market moved towards quality names in the wake of the crisis in US regional banks and the demise of Credit Suisse, the economic environment has been challenging for the Company's portfolio. Accordingly, the Company has underperformed the Numis Smaller Companies (excluding Investment Trusts) Index (total return) benchmark by 2.1%.

Portfolio Activity

During the period, the Company initiated a position in **Next Fifteen**, the high matrix scoring technology and data driven growth consultancy firm, taking advantage of an attractive valuation entry point and consistent robust earnings delivery. While the uncertain macroeconomic backdrop does present risk, we believe the company has multiple growth levers and has left itself material room on margins compared to consensus expectations. The shares are trading on a 45% discount to its average valuation over the last ten years. Our view is that this economic risk is over-estimated by the market and the shares are undervalued.

The Company took a new position in the engineering consultant, **Ricardo**, after the strategy laid out by management several years ago has finally come to fruition. The company's new CEO has been key to driving this transformation and there is more for the company to do, particularly in terms of cross-selling, as well as organic growth or growth by acquisition. An increase in focus on environmental and energy consultancy is expected to help Ricardo approach its mid double-digit margin target over the next few years.

A new position in **Alpha Group International** ("Alpha") was initiated, after several years of strong execution, with the company having successfully addressed risks and processes in its foreign-exchange business and improved banking solutions operations. Alpha has a strong management team built around founder and CEO Morgan Tillbrook. We expect the company to deliver progress on earnings growth and margins in the second half of 2023, while continuing to reinvest in the business.

We sold the Company's position in **Polar Capital**, due to a decline in its matrix score. While we believe the business is well placed over the longer term, the industry backdrop is challenging and we haven't seen sufficient, sustained momentum returning in the short term.

We also sold out of **Victrex** in view of perceived risk to earnings, deteriorating end markets and lacklustre delivery. Moreover, we believe the special dividend paid by the company last year is unlikely to be repeated.

ESG Engagement

During the first half of the year, we met with management at **Paragon Banking Group** ("Paragon"), a business affected by environmental, social and governance ("ESG") matters on several levels. The most insightful part of the engagement was our discussion around sustainable finance and the company's capital allocation towards that area. This includes lending for rental properties with high energy-performance certificate ratings, finance for electric vehicles and development finance for energy efficient property developments. Paragon is in a powerful position to create change and also be involved in determining future regulation in the sector; however, we should not necessarily expect them to cut exposure to other areas.

From a social perspective, Paragon's professional landlord service and the wider influence it has in its buy-to-let business can help deliver a better outcome for tenants. The company's staff turnover levels are also attractive in comparison with its peers, and Paragon has made a very strong effort to support women in senior roles. Overall, we were pleased with the progress the business has already made and its general strategy. However, we would like to engage further on Paragon's exposure to the UN's Sustainable Development Goals through sustainable finance, as well as look in greater detail at its performance relative to its peers in new originations in lower-emission homes.

We engaged directly with **Smart Metering Systems** ("SMS") regarding its battery supply chain. We received clear evidence that SMS was taking its responsibilities around the sourcing and handling of batteries seriously, with regular independent audits of key suppliers. The company recognises the importance of lithium's role in enabling the transition to a low-carbon future and has clear policies to ensure suppliers' adherence to controls around the sourcing and management of the raw materials and related resources involved in battery production.

Fixed Income Portfolio

The first half of 2023 has been somewhat challenging for the UK bond market. Inflation continues to run significantly ahead of the BoE's 2% target and the Monetary Policy Committee has been forced to raise rates significantly more than the market expected at the start of the new year. Credit spreads were volatile in the first quarter on the back of the banking failures mentioned earlier in this report. However, they have been rallying back and the increase in government bond yields has more than offset the move.

The Company's holdings in the shorter end of the sterling market were impacted by the significant tightening of monetary policy. Five-year yields were about 50 basis points higher over the period leading to some losses from bond holdings. Bond issued by banks performed well relative to other areas of the market which contributed to the Company's performance. Thames Water's well documented financial and operational issues have no material impact on the holdings.

Outlook

The markets continue to be dominated by macro conditions, predominantly the pathway of inflation and interest rates, globally. The UK still stands out in terms of inflation, in that whilst many countries are battling with high inflation environments, the UK appears to be showing stickier inflation. Whilst energy prices have stepped back, we are seeing areas such as food inflation in the UK remain at high levels; and wage inflation as well as a strong labour market continue to support consumer spending. Without a recession, there remains the challenge of how inflation gets controlled; interest rates having already been increased significantly, but often taking some time to have an impact. China is the region where Covid-19 and the re-opening still remains uncertain, with other countries having returned to some 'normality'. The combination of these factors creates a very uncertain environment, which continues to drive market challenges.

We would also remind investors of the geographic exposures of the portfolio companies' revenues. At the time of writing, 51% of revenues are generated in the UK, with 49% overseas. This is similar to the exposure within the Company's benchmark. Many of the companies in the portfolio, as has been true through time and a result also of our investment process, have strong international growth exposure. Some are global leaders in what they do. One challenge in the upcoming period for overseas earners is the current strength of Sterling, which, if it continues, may cause some currency headwinds for these businesses.

In a recessionary environment, or continued low economic growth, we believe the market will move towards quality, resilience, reliability, visible revenue streams and strong balance sheets. We have seen these characteristics fundamentally demonstrated by the portfolio companies over this period, clear also through the dividend strength. In that economic situation, where growth becomes scarcer, the growth that remains tends to become more valuable.

Investment Manager's Review

Continued

In a recovery phase, small and mid-cap stocks tend to lead that market recovery, and the outlook for the asset class should be attractive. Small and mid-caps in the UK have still lagged large companies in the market moves since the start of 2022. In that environment, we believe the small-cap asset class can produce some attractive return potential, as markets recover and the disparity to large-cap narrows. Encouragingly, the Company outperformed in the sharp market recovery in Q4 2022, with quality growth companies performing well.

We continue to believe there are opportunities for quality growth businesses, which deliver well on earnings expectations, to outperform. The valuations currently being paid for growth companies in UK small mid-cap markets remain significantly below historic levels, whereas in other regions the market is now paying a ten-year median valuation for growth businesses again. As such, many quality UK growth companies currently trade on undemanding valuations.



Amanda Yeaman & Abby Glennie
abrdn Investments Limited
13 September 2023

Ten Largest Investments

As at 30 June 2023

Games Workshop
Global retailer of hobbyist products, selling through own retail stores, online, and through trade partners. Owner of the IP of Warhammer.

4imprint
Direct marketer of promotional products, with a focus on US.

Bytes Technology
UK based company that provides information technology (IT) software offerings and solutions, with a focus on cloud and security products.

Morgan Sindall
UK leading business in construction and regeneration work.

Hollywood Bowl
Operator of bowling centres.

DiscoverIE
International group of businesses that designs, manufactures and supplies highly differentiated components for electronic applications.

Alpha Financial Markets Consulting
Leading global consulting company to assist asset management, wealth management and insurance industries.

Greggs
UK based food to go retailer, specialising in fresh bakes, sandwiches, hot drinks and sweet treats.

Telecom Plus
Reseller of telecom and utilities service, under the Utility Warehouse brand.

Softcat
Value added technology reseller in UK.

Portfolio – Equities

At 30 June 2023

Company	Sector Classification	Valuation 2023 £'000	Total portfolio %
Games Workshop	Leisure Goods	2,263	3.7
4imprint	Media	2,156	3.6
Bytes Technology	Software and Computer Services	2,155	3.6
Morgan Sindall	Construction and Materials	2,096	3.5
Hollywood Bowl	Travel & Leisure	2,082	3.5
discoverIE	Technology Hardware & Equipment	2,062	3.4
Alpha Financial Markets Consulting	Industrial Support Services	1,888	3.1
Greggs	Personal Care, Drug and Grocery Stores	1,724	2.9
Telecom Plus	Telecommunications Service Providers	1,603	2.7
Softcat	Software & Computer Services	1,579	2.6
Ten largest investments		**19,608**	**32.6**
AJ Bell	Investment Banking & Brokerage Services	1,574	2.6
Tatton Asset Management	Investment Banking & Brokerage Services	1,557	2.6
Sirius Real Estate	Real Estate Investment & Services	1,466	2.4
Safestore	Real Estate Investment Trusts	1,448	2.4
Intermediate Capital	Investment Banking & Brokerage Services	1,405	2.3
Energean	Oil Gas & Coal	1,398	2.3
Chesnara	Life Insurance	1,379	2.3
Paragon Banking	Investment Banking & Brokerage Services	1,351	2.3
Pets at Home	Retailers	1,305	2.2
Assura	Real Estate Investment Trusts	1,264	2.1
Twenty largest investments		**33,755**	**56.1**
Somero Enterprises	Industrial Engineering	1,243	2.1
Smart Metering Systems	Industrial Support Services	1,205	2.0
Midwich	Industrial Support Services	1,126	1.9
Chemring	Aerospace & Defense	1,054	1.8
Rathbone Brothers	Investment Banking & Brokerage Services	1,044	1.7
Close Brothers	Banks	1,042	1.7
Dunelm	Retailers	1,026	1.7
Hilton Food	Food Producers	1,026	1.7
Hill & Smith	Industrial Metals & Mining	1,020	1.7
Kesko[A]	Personal Care, Drug & Grocery Stores	985	1.6
Thirty largest investments		**44,526**	**74.0**

At 30 June 2023

Company	Sector Classification	Valuation 2023 £'000	Total portfolio %
FDM	Industrial Support Services	958	1.6
Severfield	Construction & Materials	939	1.5
Robert Walters	Industrial Support Services	919	1.5
Coats	General Industrials	908	1.5
Serica Energy	Oil Gas & Coal	899	1.5
Unite	Real Estate Investment Trusts	886	1.5
Mortgage Advice Bureau	Finance & Credit Services	885	1.5
Liontrust Asset Management	Investment Banking & Brokerage Services	848	1.4
Forterra	Construction & Materials	729	1.2
Gateley	Industrial Support Services	693	1.2
Forty largest investments		**53,190**	**88.4**
XP Power	Electronic & Electrical Equipment	654	1.1
MJ Gleeson	Household Goods & Home Construction	643	1.1
Spirent Communications	Telecommunications Equipment	606	1.0
FRP Advisory	Industrial Support Services	598	1.0
Impax Asset Management	Investment Banking & Brokerage Services	595	1.0
Next 15 Communications	Media	592	1.0
Ricardo	Construction & Materials	552	0.9
Marshalls	Construction & Materials	517	0.8
Alpha Group	Industrial Support Services	430	0.7
Total Equity Investments		**58,377**	**97.0**

[A] All investments are listed on the London Stock Exchange (sterling based), except where marked, which is listed on an overseas exchange (sterling based).

Portfolio – Other Investments

At 30 June 2023

Company	Valuation 2023 £'000	Total portfolio %
Corporate Bonds[A]		
NGG Finance 5.625%	379	0.7
Barclays Bank 9% Perp	311	0.5
HSBC Holdings 6.5%	300	0.5
Northumbrian Water 1.625%	256	0.4
Anglian Water Service Finance 4.5%	191	0.3
Informa 3.125%	180	0.3
NatWest Group 2.105%	165	0.3
Total Corporate Bonds	**1,782**	**3.0**
Total Investments	**60,159**	**100.0**

[A] All investments are listed on the London Stock Exchange (Sterling based).

Distribution of Assets and Liabilities

As at 30 June 2023

	Valuation at 31 December 2022		Movement during the period			Valuation at 30 June 2023	
	£'000	%	Purchases £'000	Sales £'000	Losses £'000	£'000	%
Listed investments							
Equity investments	66,628	104.9	3,130	(9,236)	(2,145)	**58,377**	**95.1**
Corporate bonds	2,104	3.3	–	(300)	(22)	**1,782**	**2.9**
	68,732	108.2	3,130	(9,536)	(2,167)	**60,159**	**98.0**
Current assets	2,127	3.3				**3,483**	**5.7**
Other current liabilities	(340)	(0.5)				**(245)**	**(0.4)**
Loans	(6,999)	(11.0)				**(2,000)**	**(3.3)**
Net assets	63,520	100.0				**61,397**	**100.0**
Net asset value per Ordinary share	287.29p					**277.69p**	

Investment Case Study

Coats Group

Coats Group ("Coats") is a global market leader in the manufacture of industrial thread and supplies, headquartered in the UK and operating with around 18,000 employees around the world. The company has a leading c.24% share of the apparel and footwear thread market, partly thanks to its global scale, colour matching technology and longstanding reputation for quality products. Coats has strong exposures across the apparel and footwear industries, as well as performance materials used in products including personal protection wear. The company has a blue-chip base of customers across retail brands and works closely with them in terms of product evolution and development. Brands will often specify use of the Coats brand to Tier 1 suppliers, and many are dependent on Coats: Adidas, for example, have 90% of their threads sourced from Coats. In this industry scale matters, and having locations close to customers' factories is key. Coats is over twice the size of its nearest competitor. The move to re-shoring and high freight costs is a favourable dynamic for the company.

Coats has a strong track record of managing its cost-base through increased manufacturing automation, a higher value mix from greater performance materials, and other self-help initiatives. While the current macroeconomic backdrop of consumer squeeze could present near-term risks, the Investment Manager remains positive on the company's longer-term opportunities. The end product sell-through has actually remained resilient, with the revenue impact on Coats recently being driven by destocking in the supply chain. The company's inventory management (stock availability and certainty of delivery) as well as its investment in digitalisation and ESG credentials have also been contributing factors to its strong performance. Inflationary pressures were offset by price increases and productivity improvements, which should provide a support to margin. Operating margins have already expanded from around 7% in 2012 to around 14% in 2019, aided by targeted disposals. With their Connecting for Growth programme, there is further to go over the medium term in margin expansion, with a target of around 17% in FY24. Their strategic projects, which look to optimise the portfolio and footprint, expect to deliver $50m savings in FY24 which aids the margin progression. They've made better than expected progress on both strategic project and acquisition integration, which de-risks the 17% margin target. The Investment Manager believes there is upside to this level when volumes recover to at least 2019 levels, which would result in strong operational leverage from higher manufacturing utilisation.

The Company initiated its holding in August 2022 through participation in Coats' placing to acquire German based Rhenoflex, a manufacturer of footwear components for the athleisure and sports footwear market. This was the second deal in this category to bolster the newly created Footwear segment. This is an attractive category, with global growth of approximately 8% per annum and gives Coats a market leadership position of more than 20%.

The Company has a dividend yield of around 2.7% and its balance sheet is 1.4x ND/EBITDA, which looks manageable and is forecast to reduce. Coats has also significantly improved the pension deficit situation, which has been a financial and share overhang for some years, with potential for a pension buyout in the near future to resolve the issue for good.

Coats has strong ESG credentials and very detailed Sustainability reports and disclosures. The business aligns strongly with the UN Sustainable Development Goals, particularly around Goal 12: Responsible Consumption and Production. Practices across the business are focused on ESG matters, with challenging targets having been set. Coats is A rated by MSCI. It has 50% female representation at board level, with 23% in the senior management team. Importantly, Coats is the enabler in the apparel industry for driving towards sustainable production, and its strong relationships with the brands allows it to help influence and facilitate broader impact.

Overall, the Investment Manager believes that the strong market share, enduring relationships with brands, innovation and development of products, impactful strategic projects, margin potential, and excellent ESG credentials combine to provide Coats with a strong medium-term investment case.



Condensed Statement of Comprehensive Income

		Six months ended 30 June 2023 (unaudited)			Six months ended 30 June 2022 (unaudited)			Year ended 31 December 2022 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value		**-**	**(2,167)**	**(2,167)**	-	(30,167)	(30,167)	-	(34,164)	(34,164)
Currency losses		**-**	**(3)**	**(3)**	-	-	-	-	-	-
Income										
Dividend income	2	**1,688**	**-**	**1,688**	1,656	-	1,656	3,037	-	3,037
Interest income from investments	2	**41**	**-**	**41**	46	-	46	90	-	90
Other income	2	**59**	**-**	**59**	9	-	9	37	-	37
		1,788	**(2,170)**	**(382)**	1,711	(30,167)	(28,456)	3,164	(34,164)	(31,000)
Expenses										
Investment management fee		**(72)**	**(168)**	**(240)**	(88)	(205)	(293)	(160)	(373)	(533)
Other administrative expenses		**(226)**	**-**	**(226)**	(226)	-	(226)	(435)	-	(435)
Finance costs		**(33)**	**(77)**	**(110)**	(33)	(77)	(110)	(62)	(145)	(207)
Profit/(loss) before tax		**1,457**	**(2,415)**	**(958)**	1,364	(30,449)	(29,085)	2,507	(34,682)	(32,175)
Taxation	3	**(15)**	**-**	**(15)**	(15)	-	(15)	(21)	-	(21)
Profit/(loss) attributable to equity holders		**1,442**	**(2,415)**	**(973)**	1,349	(30,449)	(29,100)	2,486	(34,682)	(32,196)
Return per Ordinary share (pence)	5	**6.52**	**(10.92)**	**(4.40)**	6.10	(137.72)	(131.62)	11.24	(156.86)	(145.62)

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations.

The Company does not have any income or expense that is not included in profit for the period, and therefore the "Profit/(loss) attributable to equity holders" is also the "Total comprehensive income attributable to equity holders" as defined in IAS 1 (revised).

The accompanying notes are an integral part of these condensed financial statements.

Condensed Balance Sheet

	Notes	As at 30 June 2023 (unaudited) £'000	As at 30 June 2022 (unaudited) £'000	As at 31 December 2022 (audited) £'000
Non-current assets				
Equities		**58,377**	68,363	66,628
Corporate Bonds		**1,782**	2,181	2,104
Securities at fair value		**60,159**	70,544	68,732
Current assets				
Cash and cash equivalents		**2,945**	3,741	1,786
Other receivables		**538**	651	341
		3,483	4,392	2,127
Current liabilities				
Bank loan		**(2,000)**	(6,997)	(6,999)
Trade and other payables		**(245)**	(260)	(340)
		(2,245)	(7,257)	(7,339)
Net current assets/(liabilities)		**1,238**	(2,865)	(5,212)
Total assets less current liabilities		**61,397**	67,679	63,520
Net assets		**61,397**	67,679	63,520
Share capital and reserves				
Called-up share capital		**11,055**	11,055	11,055
Share premium account		**11,892**	11,892	11,892
Capital redemption reserve		**2,032**	2,032	2,032
Capital reserve		**32,564**	39,212	34,979
Revenue reserve		**3,854**	3,488	3,562
Shareholders' funds		**61,397**	67,679	63,520
Net asset value per Ordinary share (pence)	6	**277.69**	306.10	287.29

The accompanying notes are an integral part of these condensed financial statements.

Condensed Statement of Changes in Equity

Six months ended 30 June 2023 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2022	**11,055**	**11,892**	**2,032**	**34,979**	**3,562**	**63,520**
(Loss)/profit for the period	**-**	**-**	**-**	**(2,415)**	**1,442**	**(973)**
Dividends paid in the period	**-**	**-**	**-**	**-**	**(1,150)**	**(1,150)**
As at 30 June 2023	**11,055**	**11,892**	**2,032**	**32,564**	**3,854**	**61,397**

Six months ended 30 June 2022 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2021	11,055	11,892	2,032	69,661	3,200	97,840
(Loss)/profit for the period	-	-	-	(30,449)	1,349	(29,100)
Dividends paid in the period	-	-	-	-	(1,061)	(1,061)
As at 30 June 2022	11,055	11,892	2,032	39,212	3,488	67,679

Year ended 31 December 2022 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2021	11,055	11,892	2,032	69,661	3,200	97,840
(Loss)/profit for the period	-	-	-	(34,682)	2,486	(32,196)
Dividends paid in the year	-	-	-	-	(2,124)	(2,124)
As at 31 December 2022	11,055	11,892	2,032	34,979	3,562	63,520

The accompanying notes are an integral part of these condensed financial statements.

Condensed Statement of Cash Flows

	Six months ended 30 June 2023 (unaudited) £'000	Six months ended 30 June 2022 (unaudited) £'000	Year ended 31 December 2022 (audited) £'000
Cash flows from operating activities			
Dividend income from investments received	**1,511**	1,369	3,071
Interest income from investments received	**64**	57	102
Interest from AAA-rated money market funds received	**47**	5	29
Bank interest received	**7**	1	3
Investment management fee paid	**(327)**	(322)	(447)
Other cash expenses	**(217)**	(252)	(476)
Cash generated from operations	**1,085**	858	2,282
Interest paid	**(134)**	(122)	(213)
Overseas taxation suffered	**(6)**	(9)	(33)
Net cash inflows from operating activities	**945**	727	2,036
Cash flows from investing activities			
Purchases of investments	**(3,125)**	(9,319)	(21,738)
Sales of investments	**9,492**	10,802	21,020
Net cash inflows/(outflows) from investing activities	**6,367**	1,483	(718)
Cash flows from financing activities			
Loan repaid	**(5,000)**	–	–
Equity dividends paid	**(1,150)**	(1,061)	(2,124)
Net cash outflow from financing activities	**(6,150)**	(1,061)	(2,124)
Net increase/(decrease) in cash and cash equivalents	**1,162**	1,149	(806)
Analysis of changes in cash and cash equivalents during the period			
Opening balance	**1,786**	2,592	2,592
Currency loss	**(3)**	–	–
Increase/(decrease) in cash and cash equivalents as above	**1,162**	1,149	(806)
Cash and cash equivalents at the end of the period	**2,945**	3,741	1,786

The accompanying notes are an integral part of these condensed financial statements.

Notes to the Financial Statements

For the year ended 30 June 2023

1. Accounting policies

Basis of preparation. The condensed financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 34 – 'Interim Financial Reporting', as adopted by the International Accounting Standards Board ('IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB. They have been prepared using the same accounting policies applied for the year ended 31 December 2022 financial statements, which received an unqualified audit report.

Going concern with Material Uncertainty. In accordance with the Financial Reporting Council's guidance on 'Going Concern and Liquidity Risk' the Directors have undertaken a review of the Company's assets which principally consist of equity shares in companies listed on the London Stock Exchange and may be realised within a short timescale to meet outstanding liabilities.

The Board announced a Strategic Review on 13 February 2023, which concluded on 26 July 2023 with the announcement of the proposed combination of the assets of the Company with the assets of Shires Income plc ("Shires"), subject to shareholder approval, through a tax efficient scheme of reconstruction under section 110 of the Insolvency Act 1986 (the "Proposals"). More detail can be found in the Chair's Statement on page 4 and in the RNS announcement dated 26 July 2023.

The Board believes that the Proposals are in the best interests of shareholders as a whole and recommends that shareholders vote in favour of the resolutions required to effect the Proposals. This would result in the voluntary liquidation of the Company. Due to the requirement for the Proposals to receive approval from the shareholders of both the Company and Shires (including the approval of independent shareholders in the Company for a related party transaction) there remains material uncertainty as to the future of the Company.

However, should the Proposals not receive the necessary shareholder approvals, the Board believes that other attractive options remain viable for shareholders, which can be pursued. The Board also believes that the investment objective remains relevant and the Company remains in a position to generate attractive returns for all shareholders. Accordingly, the Board has prepared the financial statements in this Half Yearly Report on a going concern basis.

2. Income

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Income from investments			
Dividend income from UK equity securities	**1,431**	1,269	2,367
Dividend income from overseas equity securities	**149**	260	462
Property income distributions	**108**	127	208
	1,688	1,656	3,037
Interest income from investments	**41**	46	90
	1,729	1,702	3,127
Other income			
Bank interest	**7**	1	4
Interest from AAA-rated money market funds	**52**	8	33
Total revenue income	**1,788**	1,711	3,164

3. Taxation

The tax expense reflected in the Condensed Statement of Comprehensive Income represents irrecoverable withholding tax suffered on overseas dividend income.

4. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Profit attributable	**1,442**	1,349	2,486
Dividends declared	**(1,150)**[A]	(1,061)[B]	(2,168)[C]
	292	288	318

[A] Dividends declared relate to the first two interim dividends (both 2.60p each) declared in respect of the financial year 2023.
[B] Dividends declared relate to the first two interim dividends (both 2.40p each) declared in respect of the financial year 2022.
[C] Dividends declared relate to the three interim dividends (2.40p each) and final interim dividend (2.60p) declared in respect of the financial year 2022 totalling 9.80p.

5. Return per Ordinary share

	Six months ended 30 June 2023 p	Six months ended 30 June 2022 p	Year ended 31 December 2022 p
Revenue return	**6.52**	6.10	11.24
Capital return	**(10.92)**	(137.72)	(156.86)
Net return	**(4.40)**	(131.62)	(145.62)

The returns per Ordinary share are based on the following figures:

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Revenue return	**1,442**	1,349	2,486
Capital return	**(2,415)**	(30,449)	(34,682)
Net return	**(973)**	(29,100)	(32,196)
Weighted average number of Ordinary shares in issue	**22,109,765**	22,109,765	22,109,765

Notes to the Financial Statements

Continued

6. Net asset value per Ordinary share

The net asset value per Ordinary share and the net assets attributable to Ordinary shareholders at the period end calculated in accordance with the Articles of Association were as follows:

	As at 30 June 2023 (unaudited)	As at 30 June 2022 (unaudited)	As at 31 December 2022 (audited)
Attributable net assets (£'000)	**61,397**	67,679	63,520
Number of Ordinary shares in issue	**22,109,765**	22,109,765	22,109,765
Net asset value per Ordinary share (p)	**277.69**	306.10	287.29

7. Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value. These have been expensed through capital and are included within losses on investments at fair value in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Purchases	**6**	32	81
Sales	**5**	9	18
	11	41	99

8. Analysis of changes in financing liabilities during the period

The following table shows the movements during the period of financing liabilities in the Condensed Balance Sheet:

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Opening balance	**6,999**	6,995	6,995
Amortisation of arrangement costs	**1**	2	4
Repayment of loan	**(5,000)**	-	-
Closing balance	**2,000**	6,997	6,999

9. Fair value hierarchy

Under IFRS 13 'Fair Value Measurement' an entity is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets measured at fair value in the Condensed Balance Sheet are grouped into the fair value hierarchy as follows:

At 30 June 2023 (unaudited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	**58,377**	**-**	**-**	**58,377**
Quoted bonds	b)	**-**	**1,782**	**-**	**1,782**
		58,377	**1,782**	**-**	**60,159**

At 30 June 2022 (unaudited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	68,363	-	-	68,363
Quoted bonds	b)	-	2,181	-	2,181
		68,363	2,181	-	70,544

At 31 December 2022 (audited)	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	66,628	-	-	66,628
Quoted bonds	b)	-	2,104	-	2,104
		66,628	2,104	-	68,732

a) Quoted equities. The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges.

b) Quoted bonds. The fair value of the Company's investments in quoted bonds has been determined by reference to their quoted bid prices at the reporting date. Investments categorised as Level 2 are not considered to trade in active markets.

There have been no transfers of assets between levels of the fair value hierarchy during any of the periods covered in this Report.

10. Related party transactions

There were no related party transactions during the period.

11. Transactions with the Manager

The Company has agreements with abrdn Fund Managers Limited ("aFML" or "the Manager") for the provision of investment management, secretarial, accounting and administration and promotional activities.

The management fee is calculated at an annual rate of 0.75% of the net assets of the Company, calculated and paid monthly. During the period £240,000 (30 June 2022 – £293,000; 31 December 2022 – £533,000) of investment management fees were payable to the Manager, with a balance of £117,000 (30 June 2022 –£89,000; 31 December 2022 – £204,000) being payable to aFML at the period end. During the period and at the period end, the Company held £2,533,000 (30 June 2022 – £3,498,000; 31 December 2022 – £1,450,000) in Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund which is managed by abrdn Investments Luxembourg S.A. The Company pays a management fee on the value of these holdings but no fee is chargeable at the underlying fund level. The management fee is chargeable 30% to revenue and 70% to capital.

During the period expenses of £28,000 (30 June 2022 – £28,000; 31 December 2022 – £56,000) were payable to the Manager in connection with the promotion of the Company. The balance outstanding at the period end was £14,000 (30 June 2022 – £14,000; 31 December 2022 – £14,000).

12. Segmental information

The Company is engaged in a single segment of business, which is to invest in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

13. Publication of non-statutory accounts

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 30 June 2023 and 30 June 2022 has not been audited.

The information for the year ended 31 December 2022 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.

14. This Half Yearly Financial Report was approved by the Board on 13 September 2023.

Alternative Performance Measures

Alternative performance measures 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 IFRS 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.

Discount to Net Asset Value per Ordinary share

The amount by which the market price per Ordinary share is lower than the net asset value per Ordinary share, expressed as a percentage of the net asset value per Ordinary share.

		30 June 2023	31 December 2022
NAV per Ordinary share (p)	a	**277.69**	287.29
Share price (p)	b	**252.00**	240.50
Discount	(b-a)/a	**9.3%**	16.3%

Net cash/(gearing)

Net cash/(gearing) measures total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due to and from brokers at the period end as well as cash.

		30 June 2023	31 December 2022
Borrowings (£'000)	a	**2,000**	6,999
Cash (£'000)	b	**412**	336
Investments in AAA-rated money market funds	c	**2,533**	1,450
Amounts due to brokers (£'000)	d	**5**	–
Amounts due from brokers (£'000)	e	**44**	–
Shareholders' funds (£'000)	f	**61,397**	63,520
Net cash/(gearing)	(a-b-c+d-e)/f	**1.6%**	-8.2%

Alternative Performance Measures

continued

Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average published daily net asset values with debt at fair value throughout the year. The ratio for 30 June 2023 is based on forecast ongoing charges for the year ending 31 December 2022.

	30 June 2023	31 December 2022
Investment management fees (£'000)	**470**	533
Administrative expenses (£'000)	**429**	435
Less: non-recurring charges[A] (£'000)	**-**	(30)
Ongoing charges (£'000)	**899**	938
Average net assets (£'000)	**62,551**	71,863
Ongoing charges ratio (excluding look-through costs)	**1.44%**	1.31%
Look-through costs[B]	**0.02%**	0.03%
Ongoing charges ratio (including look-through costs)	**1.46%**	1.34%

[A] Professional services comprising new director recruitment costs and legal fees considered unlikely to recur.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

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

Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the benchmark, respectively.

Six months ended 30 June 2023		**NAV**	**Share Price**
Opening at 1 January 2023	a	**287.3p**	**240.5p**
Closing at 30 June 2023	b	**277.7p**	**252.0p**
Price movements	c=(b/a)-1	**-3.3%**	**4.8%**
Dividend reinvestment[A]	d	**2.6%**	**3.3%**
Total return	c+d	**-0.7%**	**+8.1%**

Year ended 31 December 2022		**NAV**	**Share Price**
Opening at 1 January 2022	a	442.6p	375.0p
Closing at 31 December 2022	b	287.3p	240.5p
Price movements	c=(b/a)-1	-35.1%	-35.9%
Dividend reinvestment[A]	d	1.9%	2.2%
Total return	c+d	-33.2%	-33.7%

[A] NAV total return involves investing the net dividend in 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 dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

Investor Information

Keeping You Informed

Information of the Company, including the share price, may be found on its dedicated website: **abrdnsmallercompaniesincome.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.

abrdn Investment Trusts Social Media Accounts

Twitter: **@abrdntrusts**

LinkedIn: **abrdn Investment Trusts**

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

The Board has been made aware by abrdn that some investors have received telephone calls from people purporting to work for abrdn, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares. These callers do not work for abrdn and any third party making such offers has no link with abrdn. abrdn never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, they should not offer any personal information, end the call and contact abrdn's investor services centre using the details provided on page 33.

The Financial Conduct Authority ("FCA") 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 Registrar Equiniti Limited, the Company's Registrars (see page 33 for details).

Changes of address must be notified to the Registrar in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see page 33 for details) or by email to **CEF.CoSec@abrdn.com**

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 exposure to smaller companies in the United Kingdom 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 FCA'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 FCA's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Key Information Document ("KID")

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

Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Managers Directive requires abrdn Fund Managers Limited, as the alternative investment fund manager of abrdn Smaller Companies Income Trust plc, to make available to investors certain information prior to such investors' investment in the Company.

The Company's PIDD is available for viewing on the Company's website.

Management

The Company's alternative investment fund manager is abrdn Fund Managers Limited ("aFML" or the "Manager") (authorised and regulated by the Financial Conduct Authority ("FCA")). The Company's portfolio is managed on a day-to-day basis by abrdn Investments Limited ("aIL" or the "Investment Manager") by way of a delegation agreement in place between aFML and aIL

How to Invest

A range of leading investment platforms and share dealing services let you buy and sell abrdn-managed investment trusts. Many of these platforms operate on an 'execution-only' basis. This means they can carry out your instruction to buy or sell a particular investment trust. But they may not be able to advise on suitable investments for you. If you require advice, please speak to a qualified financial adviser (see below).

A note about the abrdn Investment Trusts Savings Plans (the "Plans")

In June 2023, abrdn notified existing investors in the abrdn Investment Trusts ISA, Share Plan and Investment Plan for Children that these Plans would be closing in December 2023. The Plans are no longer open to new investors.

If you are an existing investor in the Plans and have any queries, please contact the Investor Services department on 0808 500 4000 or, from overseas, on 00 44 1268 448 222. Lines are open from 9am to 5pm, Monday to Friday, Call charges will vary. Alternatively, please contact **inv.trusts@abrdn.com** by email. Email is not a secure form of communication so you should not send any personal or sensitive information.

Flexibility

Many investment platform providers will allow you to buy and hold abrdn Investment Trust shares within an Individual Savings Account (ISA), Junior ISA or Self Invested Personal Pension (SIPP), all of which have potential tax advantages. Most will also allow you to invest on both a lump sum and regular savings basis.

Costs and service

It is important to choose the right platform for your needs, so take time to research what each platform offers before you make your decision, as well as considering charges. When it comes to charges, some platforms have flat fee structures while others levy percentage-based charges. Typically, you will also pay a fee every time you buy and sell shares, so you need to bear in mind these transaction costs if you are trading frequently. There may also be additional charges for ISA and SIPP investments.

Can I exercise my voting rights if I hold my shares through an investment platform?

Yes, you should be able to exercise your right to vote by contacting your platform provider. Procedures differ, but some platforms will automatically alert you when new statutory documents are available and then allow you to vote online. Others will require you to contact them to vote. Your chosen platform provider will provide further guidance.

Getting advice

abrdn recommends that you seek financial advice prior to making an investment decision. If you do not currently have a financial adviser, details of authorised financial advisers in your area can be found at **pimfa.co.uk** or **unbiased.co.uk** (see below). You will pay a fee for advisory services.

Platform providers

Platforms featuring abrdn-managed investment trusts include:

- Interactive Investor: **ii.co.uk/investment-trusts**
- AJ Bell: **ajbell.co.uk/markets/investment-trusts**
- Barclays Smart Investor: **barclays.co.uk/smart-investor**
- Charles Stanley Direct: **charles-stanley-direct.co.uk**
- Fidelity: **fidelity.co.uk**
- Halifax: **halifax.co.uk/investing**
- Hargreaves Lansdown: **hl.co.uk/shares/investment-trusts**

The companies above are shown for illustrative purposes only. Other platform providers are available. The links above direct you to external websites operated by each platform provider. abrdn is not responsible for the content and information on these third-party sites.

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 & Financial Advice Association at: **pimfa.co.uk**.

Investor Information

Continued

Independent Financial Advisers

To find an adviser who advises 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** or at **https://register.fca.org.uk**
Email: **consumerqueries@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 above is issued and has been approved for the purposes of the Financial Services and Markets Act 2000 by abrdn Investments Limited, 280 Bishopsgate, London EC2M 4AG which is authorised and regulated by the Financial Conduct Authority.

Contact Addresses

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(Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider).

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25 Dowgate Hill
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Foreign Account Tax Compliance Act ("FATCA")
IRS Registration Number (GIIN): DGR5S1.99999.SL.826

Legal Entity Identifier ("LEI")
213800J6D2TVHRGKBG24

For more information visit **abrdnsmallercompaniesincome.co.uk**

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