abrdn Smaller Companies Income Trust plc

Hunting smaller companies for a stronger income

Performance Data and Analytics to 30 September 2023

Strategic review

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

Investment objective

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

Benchmark

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

Cumulative performance (%)

	as at 30/09/23	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	259.0p	0.6	3.8	3.6	17.3	11.4	14.2
NAV[A]	268.7p	(1.6)	(1.4)	(4.0)	7.9	(5.3)	(4.9)
Benchmark		(1.3)	0.3	0.4	11.8	22.2	0.9

Discrete performance (%)

	30/09/23	30/09/22	30/09/21	30/09/20	30/09/19
Share Price	17.3	(37.9)	53.0	(2.6)	5.3
NAV[A]	7.9	(37.5)	40.4	(0.4)	0.9
Benchmark	11.8	(25.1)	45.9	(10.5)	(7.8)

Total return; NAV to NAV, net income reinvested, GBP. Share price total return is on a mid-to-mid basis.
Dividend calculations are to reinvest as at the ex-dividend date. NAV returns based on NAVs with debt valued at fair value.
Source: abrdn Investments Limited, Lipper and Morningstar.
Past performance is not a guide to future results.

[A] Including current year revenue.

Morningstar Sustainability Rating™

Morningstar Rating™

★

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

Ten largest equity holdings (%)

4imprint	3.9
Morgan Sindall	3.9
Games Workshop	3.7
Hollywood Bowl	3.5
Bytes Technology	3.4
Tatton Asset Management	2.9
Alpha FMC	2.9
discoverIE	2.8
Greggs	2.8
Softcat	2.7
Total	**32.5**

Total number of investments 47

Sector allocation (%)

Industrials	24.9
Financials	22.3
Consumer Discretionary	18.3
Technology	9.7
Real Estate	8.8
Consumer Staples	7.0
Energy	5.5
Telecommunications	3.5
Total	**100.0**

All sources (unless indicated): abrdn: 30 September 2023.

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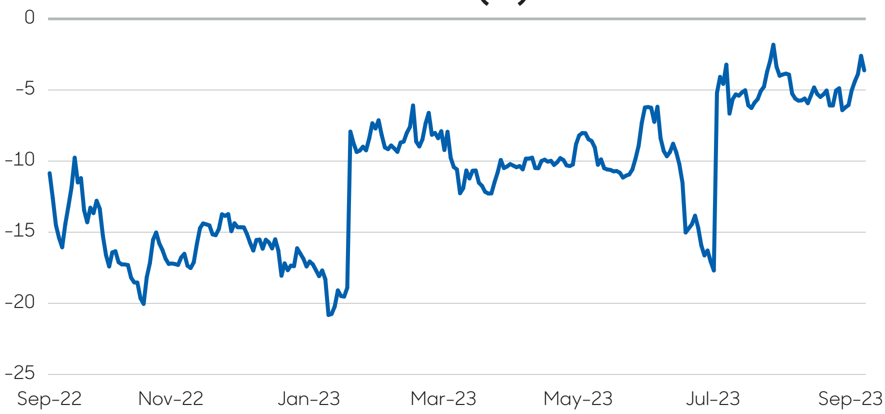
1 Year Premium/Discount Chart (%)



Fund managers' report

Market Review

UK equities' performance was mixed in September, with a surprise fall in the rate of inflation offset by further downbeat economic data. Overall, the blue-chip FTSE 100 Index made a total return of 2.4%, with rises in global oil prices supporting shares in major energy companies. However, the more domestically focused FTSE 250 Index fell 1.5% while the FTSE Small Cap Index returned 0.5%.

New data showed that the inflation rate as measured by the Consumer Prices Index had unexpectedly fallen to 6.7% in August, due to slowing food price rises. Consequently, the Bank of England's Monetary Policy Committee narrowly voted to keep interest rates unchanged at 5.25%, although official figures showed that wage inflation remained elevated. The UK economy shrank in July as poor weather weighed on consumer spending and retail sales remained weak in August. Meanwhile, house prices recorded their sharpest fall since 2009, although falling interest-rate expectations saw average mortgage rates dip below 6%. Figures published by S&P Global indicated that business output continued to fall, with a recession looking increasingly likely.

Performance

The Trust delivered a net asset value total return of -1.8% in September and underperformed the Numis Smaller Companies (excluding Investment Companies) Index, which returned -1.3%. The holding in Safestore was the biggest detractor from returns as its shares fell on concerns about cyclical demand and pricing. Shares in Smart Metering Systems declined despite publishing solid results, with investors seemingly more worried about the company's current level of balance-sheet leverage. However, we believe

Fund managers' report continues overleaf

Key information Calendar

Year end	31 December
Accounts published	March
Annual General Meeting	April
Dividend paid	January, April, July, October
Established	1992
Fund managers	Abby Glennie Amanda Yeaman
Ongoing charges[C]	1.34%
Annual management fee[D]	0.75% of net assets
Premium/(Discount)	(3.6)%
Yield[E]	4.9%
Active share[F]	82.9%

Gearing (%)

Net[G]	nil

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Assets/Debt

	£'000	%
Total investments	54,747	92.1
Cash & cash equivalents	5,120	8.7
Other net assets	(450)	(0.8)
Debt	-	0.0
Net assets	**59,417**	**100.0**

Capital structure

Ordinary shares	22,109,765

Allocation of management fees and

[C] Expressed as a percentage of average daily net assets for the year ended 31 December 2022. The Ongoing Charges Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Company. It is made up of the Annual Management Fee and other charges. It does not include any costs associated with buying shares in the Company or the cost of buying and selling stocks within the Company. The OCF can help you compare the annual operating expenses of different Companies.
[D] 0.75% per annum of the value of the Company's net assets.
[E] Calculated using the Company's historic net dividends and month end share price.
[F] The 'Active Share' percentage is a measure used to describe what proportion of the Company's holdings differ from the benchmark index holdings.
[G] Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

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Fund managers' report – continued

the firm's strong asset base and high level of contracted revenue should act as a significant counterweight to these fears. Dunelm Group was also weak on worries about the wider consumer discretionary sector while shares in DiscoverIE Group declined due to negative read-across from other electronics names. Conversely, the Trust's holding in Robert Walters added to returns despite signs of mixed performance in the company's end markets. Hollywood Bowl Group benefited from positive read-across from its peer Tenpin, while shares in Morgan Sindall Group rose on reports of solid trading performance, with growth at the company's fit-out division especially strong.

Activity

The Trust took a new position in specialist engineering manufacturer Hunting during the month. In recent years, the company has proactively diversified, through products, end markets and geographies. This has helped the business reduce its exposure to cyclical factors. Hunting's quality characteristics are based on its leading market positions, strong reputation, quality products and service, and intellectual-property protection. The firm also has a strong balance sheet, which provides the company with the flexibility to make investments and complete deals. Finally, its key end markets now look to be in supportive territory after many years of underinvestment.

Outlook

While there has been some positive news in the UK with regard to interest rates and inflation prints, the global picture is less supportive. Inflation in Britain looks to be declining with the latest figure lower than expected. The fact that core inflation is easing is particularly supportive and UK yields have fallen at a time when yields are rising elsewhere, in particular in the US. The outlook for UK consumer spending is arguably improving, with inflation past its worst, continued wage rises affordability, and ongoing resilience in the labour market, although the challenges around mortgage renewals and rent increases persist.

The company earnings picture has also become more challenging, with more downgrades than upgrades seen in UK small-cap and mid-cap markets in September. This is a disappointing development after a strong trend of improving earnings since the turn of the year. Where companies have disappointed, we have seen some sharply negative share price reactions. The theme of delayed decision-making remains a risk, as do downgrades of businesses exposed to more cyclical industries.

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

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

finance costs

Capital	70%
Revenue	30%

Trading details

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

Factsheet

Receive the factsheet by email as soon as it is available by registering at www.invtrusts.co.uk/signup
www.abrdnsmallercompaniesincome.co.uk

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Important information

Risk factors you should consider prior to investing:

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

Other important information:

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