

**SHINING A LIGHT ON THE.....
BlackRock Smaller Companies Trust**

AT A GLANCE

Investment Objective
To achieve its investment objective the Company invests predominantly in UK smaller companies with securities admitted to trading on the Main Market of the London Stock Exchange or AIM. The Company may also invest in securities which are listed overseas but have a secondary UK quotation.

Inception Date	2 nd May 1906
Fund Factsheet Link	http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=EOGBR01ORG]2]0]FCGBR\$\$ALL

Management	
Manager Name	Start Date
Roland Arnold	1 st May 2018

FUND PERFORMANCE

Performance from 1st January 2016 to 30th September 2021:

	2016	2017	2018	2019	2020	2021
BlackRock Smaller Companies Trust	-1.36%	38.32%	-6.22%	45.77%	4.09%	19.67%
FTSE Small Cap Ex Investment Trust TR GBP	12.54%	15.61%	-13.80%	17.68%	1.65%	31.96%
FTSE All Share	16.75%	13.10%	-9.47%	19.17%	-9.82%	13.56%

Performance over 12 months, 3 years, and since fund manager inception:

	1 year	3 years	Since fund manager inception
BlackRock Smaller Companies Trust	72.14%	53.20%	55.66%
FTSE Small Cap Ex Investment Trust TR GBP	72.45%	38.80%	35.99%
FTSE All Share	27.89%	9.53%	11.47%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.77%	1.64	-	104.13	98.82	61.11	0.96	2.44	Small/Growth

Volatility Measurements	
3-Yr Std Dev (volatility)	27.63%
3-Yr Mean Return (average)	15.28%

Investment Style Details	
Giant	0.00%
Large	0.00%
Medium	16.06%
Small	60.57%
Micro	23.36%

Top 5 Holdings – 116 Equity Holdings		
Watches of Switzerland Group PLC	Consumer Cyclical	2.73%
Treatt PLC	Basic Materials	2.51%
Impax Asset Management Group PLC	Financial Services	2.37%
CVS Group PLC	Consumer Cyclical	2.27%
Breedon Group PLC	Basic Materials	2.05%

Top 5 Sectors	
Industrials	20.5%
Consumer Cyclical	19.1%
Technology	16.4%
Financial Services	13.7%
Communication Services	11.7%

UPDATE....

This was a brief update on the strategy, the manager's current thoughts and holdings. Roland has run the strategy for just over three years and has shown significant outperformance against the index. The trust is mainly made up of their highest quality best ideas, this known as their core holdings, and the criteria focuses around:

- Proven, trustworthy management
- Strong market positions
- Clear record of earnings growth
- Good conversion of earnings into cash
- Sound balance sheet

To supplement the core holdings, they have smaller holdings which have the potential to become core.

We discussed whether valuation plays a part and Roland says that valuation comes at the end of the process. If companies can grow and maintain pricing power, then they are happy to pay a premium for these companies.

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The conversation then went around interest rates rising and how this could be negative for these types of holdings, and Roland explained that it is unlikely interest rates will rise fast or even significantly higher over the medium term. He also explained that the last 18 months have seen a real mix in styles and yet the fund has managed to navigate this.

To further expand: Q1 2020 was about euphoria following the landslide election victory, Q2 2020 was about the COVID sell-off and flight to quality, Q3 2020 was a strong quality rally, Q4 2020 was about the reopening trade, Q1 2021 was about value and Q2 2021 saw the value rally fall back and growth come back into play.

Many companies that they own have just kept growing during this time and adapted. Examples, include Pets at Home who did well during the pandemic and Watches of Switzerland who pivoted its business to establish better ways to engage with their customer base. With smaller companies what was evident was the ability to change and adjust to what was happening.

He has not been investing in IPOs recently as he does not see the same opportunities coming to market, but he is seeing M&A and that corporates are more willing to do deals, especially as the opportunity to travel is coming to play.

In terms of short-term concerns, he believes that inflation and logistics are just that. In 18 months, most of this will clear through the system. This is important because he feels the demand is there and consumers have capacity to spend, so once the supply issues are resolved then there will be willing buyers. Once the semi-conductor industry can improve supplies then car sales will increase. Although petrol has gone up from a very low base it won't continue. The area to watch is wage inflation but he feels that unlike the previous decade, this will benefit the lower end consumer, and they are more likely to spend if they have more money.

So, his conclusion on the UK is really positive in that demand is strong, household balance sheets are positive and wage inflation is likely to benefit those who missed out in the past decade, and that will encourage spending.

In summary, since taking this on-board Roland has delivered strong performance against both his own index and all share index. This strategy is about holding onto the winners and allowing this to compound over time, so there has been little change with main holdings. In terms of our view, this is a good investment trust and well managed in a very busy space of great funds. We would therefore add this to our watchlist.

The source of information in this note has been provided by BlackRock and is correct as of October 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.