

**SHINING A LIGHT ON THE.....  
abrdn UK Smaller Companies Growth Trust**

**AT A GLANCE**

Investment Objective
The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK-quoted smaller companies. The portfolio will normally comprise around 50 individual holdings representing the highest conviction investment ideas of the manager. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5% of TA at the time of acquisition.

<b>Inception Date</b>	19 August 1993
<b>Fund Factsheet Link</b>	<a href="http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR01NOZ%5D2%5D0%5DFCGBR%24%24ALL">http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR01NOZ%5D2%5D0%5DFCGBR%24%24ALL</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
Harry Nimmo	1 September 2003
Abby Glennie	30 June 2019

Performance from 1<sup>st</sup> January 2016 to 30<sup>th</sup> June 2022:

	2016	2017	2018	2019	2020	2021	2022
<b>abrdn UK Smaller Companies Growth Trust</b>	-3.52%	39.09%	-16.75%	58.95%	0.59%	22.13%	-40.35%
<b>FTSE Small Cap Ex Investment Trust TR GBP</b>	12.54%	15.61%	-13.80%	17.68%	1.65%	31.26%	-16.41%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception
<b>abrdn UK Smaller Companies Growth Trust</b>	-34.33%	-3.65%	13.11%	1151.01%
<b>FTSE Small Cap Ex Investment Trust TR GBP</b>	-14.64%	26.68%	20.20%	258.79%

*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	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
15.51	-	93.00	115.45	50.00	0.80	(4.34)	Growth/Small

Volatility Measurements	
3-Yr Std Dev (volatility)	26.61%
3-Yr Mean Return (average)	-1.23%

Investment Style Details	
Giant	0.00%
Large	0.00%
Medium	17.01%
Small	72.67%
Micro	10.32%

Top 5 Holdings – 57 Equity Holdings		
Safestore Holdings PLC Ordinary Shares	Real Estate	4.37%
Kainos Group PLC	Technology	4.25%
Telecom Plus PLC	Utilities	4.21%
Alpha Financial Markets Consulting PLC Ordinary Shares	Industrials	4.02%
Hilton Food Group PLC	Consumer Defensive	3.78%

Top 5 Sectors	
Industrials	17.98%
Technology	16.59%
Consumer Cyclical	13.12%
Financial Services	12.03%
Communication Services	11.12%

### UPDATE....

This has been one of our longest holdings within the portfolios. The strategy has gone through a period of underperformance, and this reflects the nature of the strategy and where it invests. Small caps tend to be more volatile and when there is fear in the market then this underperforms. When positive sentiment returns then this tends to outperform. Because this is an investment trust there is also a discount mechanism.

Investment trusts issue shares and the discount is where these shares are trading below the value of their investments. The trust is currently trading at a near 15% discount. When the market turns positive then investors benefit when this discount narrows, and with the increase in the value of the holdings.

The strategy has a quality bias and it tends to hold up better in a normal economic downturn, but it has struggled during the recent environments and in 2022. They do believe that there is a great focus on quality based on the systems they use. These are showing the market is starting to care about quality and therefore this will benefit the strategy.

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They are aware that we are in a slowing economic environment and therefore they are taking care as to where they deploy capital. The market is cheap now and this provides many opportunities.

In terms of activity, we discussed Watches of Switzerland, which is the partner of choice of many watch brands. The consumers they focus on are not being hit by the downturn. They have a good allocation of stock and it has delivered an earnings upgrade and is growing. However, its P/E ratio has dropped from 35x to 14x. They have continued to back it but have reduced the holdings slightly.

Another is Molten, where the companies they invest in are doing well, but the market doesn't seem to believe the valuations they have placed on them. So again, due to short term pressures, they have reduced their weighting to this stock.

Where they have topped up is with companies like CVS who are Vets, Marshalls who are involved in the construction industry and Volution Group who supply ventilation products. One of the new holdings is Serica Energy. They are a gas company with good cash generation and are good at acquiring assets and creating value from them.

In summary, this has been a really tough period for the strategy but the moral within the team is good. This is because they are seeing earnings upgrades and the companies they invest in are growing. In March they saw a switch to quality and this benefited the strategy. This has happened again in July. When there is a sustained focus on quality then they believe things will change in terms of performance and therefore, although they acknowledge it has been a tough period for investors, they are optimistic for the outlook.

*The source of information in this note has been provided by abrdn and is correct as of July 2022. 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.*