Aberdeen Smaller Companies Income Trust PLC

Hunting smaller companies for a stronger income

Investment Trust

Performance Data and Analytics to 29 February 2020

Investment objective

To provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of small 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 (%)

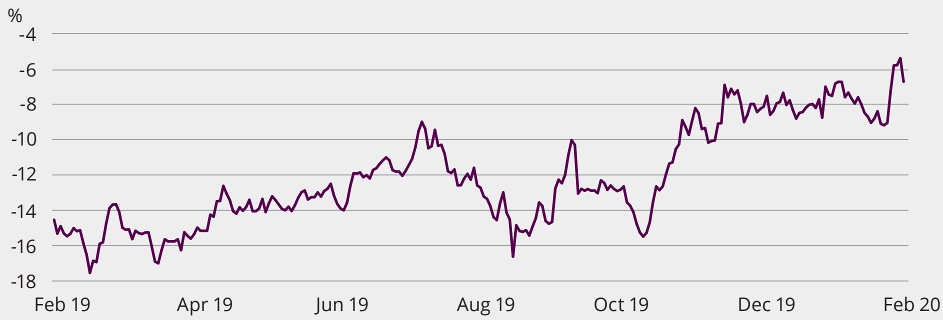
	as at 29/02/20	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	315.5p	(9.5)	0.4	16.8	23.1	52.2	82.5
NAV[A]	337.1p	(9.8)	(2.4)	8.7	12.0	32.4	58.5
Composite Benchmark		(9.5)	(5.9)	0.7	(1.7)	0.2	23.4

Discrete performance (%)

Year ending	29/02/20	28/02/19	28/02/18	28/02/17	29/02/16
Share Price	23.1	(6.6)	32.3	21.3	(1.2)
NAV[A]	12.0	(3.1)	22.0	18.8	0.8
Composite Benchmark	(1.7)	(5.5)	7.9	21.2	1.6

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: Aberdeen Asset Managers Limited, Lipper and Morningstar.
Past performance is not a guide to future results.

1 Year Premium/Discount Chart (%)



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 (%)

AVEVA	4.5
Intermediate Capital	4.4
Assura	4.1
DiscoverIE	4.1
Morgan Sindall	3.6
XP Power	3.4
Hollywood Bowl	3.3
Unite	3.1
Liontrust	3.1
FDM	3.0
Total	**36.6**

Fixed income, Convertibles and Preference share holdings (%)

SSE 3.875%	0.6
Barclays Bank 9%	0.5
Total	**1.1**

Sector allocation (%)

Financials	32.6
Industrials	30.3
Consumer Services	10.7
Technology	9.4
Consumer Goods	9.1
Telecommunications	2.9
Basic Materials	2.7
Health Care	2.3
Total	**100.0**

Figures may not add up due to rounding.

Total number of investments	**46**

All sources (unless indicated):
Aberdeen Asset Managers Limited 29 February 2020.

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[A] Including current year revenue.

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Fund managers' report

Market review

UK equities, like their global peers, had a torrid month. Concerns about the coronavirus dominated sentiment, with new cases reported around the world daily. Safe-haven assets such as the Japanese yen, the Swiss franc and government bonds were in demand, while stocks and the price of oil plummeted.

What started as an outbreak in Wuhan, China, has now become a global epidemic. There have been cluster outbreaks in South Korea, Italy and Iran. The virus is now present in at least nine European Union member states and the US. The human cost is immeasurable, while the financial and economic costs are becoming more apparent. As it stands, the International Monetary Fund has predicted the virus will shave 0.1% off global growth. However, given the potential for supply chain disruptions (China accounts for a quarter of global manufacturing), the damage could be more severe.

In the US, the CBOE volatility index – aka Wall Street's fear gauge – topped 30 on 25 February, a five-year high. It usually sits at 20.

However, the major developed market central banks said they were monitoring the situation and remained ready to act if needed. Market participants are pricing in rate cuts over the next 12 months. In Asia, central banks have already reduced rates. They have also provided extraordinary credit facilities to allow local banks to lend to struggling businesses.

Away from the virus there was some (relatively) positive news on the economic front. UK December GDP beat forecasts, recording 0.3% versus expectations of 0.2%. Quarterly growth was flat at 0%.

Performance

The Trust finished in negative territory for the review period.

Looking at the positives first, audio-visual specialist Midwich performed well. Despite the challenging macroeconomic backdrop, the company continues to grow strongly across markets and geographies, thanks in part to its targeted acquisition programme. This culminated in Midwich reporting double-digit annual profit and revenue growth in March. A position in construction firm Morgan Sindall boosted the Trust's returns. Annual revenues and profits were strong in 2019, thanks to its improved business operations. This included a focus on delivering higher-quality buildings. Additional highlights included Assura, Kesko and not owning Aston Martin.

On the downside, a lack of exposure to property investor Daejan hurt relative Fund performance. Its shares soared after the founding Freshwater family offered £80.5 per share for the 20.5% of the business it didn't currently own. The deal values the stake at

Fund managers' report continues overleaf

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

Key information

Calendar

Year end	31 December
Accounts published	March
Annual General Meeting	April
Dividend paid	January, April, July, October
Established	1992
Fund manager	Abby Glennie
Ongoing charges[C]	1.20%
Annual management fee[D]	0.75% of net assets
Premium/(Discount)	(6.4)%
Yield[E]	2.6%
Active share[F]	91.2%

Gearing (%)

Equities[G]	4.5
Total net[H]	5.6

AIFMD Leverage Limits

Gross Notional	2.5x
Commitment	2x

Assets/Debt	£'000	%
Equities	78,039	104.5
Fixed Income	876	1.2
Total investments	78,915	105.7
Cash	2,830	3.8
Other net assets	(105)	(0.1)
Debt	(6,987)	(9.4)
Net assets	74,653	100.0

Capital structure

Ordinary shares	22,109,765

Allocation of management fees and 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

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

[C] Expressed as a percentage of average daily net assets for the year ended 31 December 2019. 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 Ongoing Charges figure 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] Expressed as a percentage of total equities held divided by shareholders' funds.

[H] Net gearing is defined as a percentage, with net debt (total debt less cash/cash equivalents) divided by shareholders' funds.

Fund managers' report – continued

£269.5 million, representing a 56% premium on the closing price. Meanwhile, shares in specialist fund management group Liontrust Asset Management tumbled. This is understandable, given how closely its operations are tied to stock markets. Holdings in Hollywood Bowl, XP Power and lack of exposure to Plus500 also disappointed.

Activity

Trading was light over the month. We continued to reduce recruitment giant Robert Walters. Analysts have downgraded the company, with a number of regions struggling. The coronavirus outbreak, and its effect on recruitment, could further weigh on the business.

Outlook

The depth and ferocity of the UK and global market correction has taken a lot of people by surprise. As we write, the coronavirus pandemic remains a fluid event and therefore difficult to predict. Against this backdrop, we will continue to take a long-term view to investing. For many of our companies, the underlying fundamentals remain strong and we would therefore expect them to recover when the situation becomes clearer. Further, our focus on quality-growth businesses should position us well in a tougher environment. We also continue to focus on companies that have many levers to pull to drive growth and are not overly dependent on external environments. In general, this approach ensures we hold businesses that are resilient, have balance-sheet strength and experienced management teams at the helm. These factors will be essential in the coming months.

Important information

Risk factors you should consider prior to investing:

- The value of investments and the income from them can fall 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 the securities of 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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