Aberdeen Smaller Companies Income Trust PLC

Hunting smaller companies for a stronger income

Half-Yearly Report
30 June 2021

Objective and Purpose

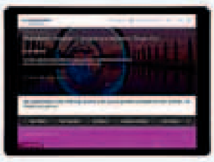
The objective and purpose of Aberdeen Smaller Companies Income Trust PLC (the "Company") is to provide a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of smaller UK companies and UK fixed income securities.

Benchmark

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

Management

The Company's alternative investment fund manager is Aberdeen Standard Fund Managers Limited ("ASFML" 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 Aberdeen Asset Managers Limited ("AAML" or the "Investment Manager") by way of a delegation agreement in place between ASFML and AAML.



Visit our Website

To find out more about the Company, please visit:
aberdeensmallercompanies.co.uk

"I am pleased to report that your Company has delivered out-performance relative to its benchmark, the Numis Smaller Companies ex Investment Trusts Index in the six month period to the end of June 2021, with a NAV total return of +20.1% versus a benchmark return of +17.4%."

Robert Lister, Chairman

"Over the first half of the year, this mixture of two very different market periods has delivered outperformance that we are pleased with."

Abby Glennie,
Aberdeen Asset Managers Limited

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Net asset value total return[A]

Six months ended 30 June 2021

+20.1%

Year ended 31 December 2020: -4.1%

Numis Smaller Companies ex Inv Trust Index

Six months ended 30 June 2021

+17.4%

Year ended 31 December 2020: -4.3%

Share price total return[A]

Six months ended 30 June 2021

+9.4%

Year ended 31 December 2020: -5.1%

Earnings per Ordinary share (revenue)

Six months ended 30 June 2021

4.14p

Six months ended 30 June 2020: 2.03p

Discount to net asset value[A]

As at 30 June 2021

17.9%

As at 31 December 2020: 10.3%

Net gearing[A]

As at 30 June 2021

2.5%

As at 31 December 2020: 7.0%

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 27 and 28.

Performance (total return)

	Six months ended 30 June 2021	1 year ended 30 June 2021	3 years ended 30 June 2021	5 years ended 30 June 2021
Share price[A]	+9.4%	+32.6%	+25.5%	+117.5%
Net asset value per Ordinary share[A]	+20.1%	+38.6%	+30.1%	+103.0%
Composite benchmark[B]	+17.4%	+49.8%	+13.9%	+55.5%

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

Financial Calendar

Payment dates of quarterly dividends	January 2021 April 2021 July 2021 October 2021
Financial year end	31 December 2021
Expected announcement of results for year ended 31 December 2021	March 2022
Annual General Meeting	27 April 2022

Financial Highlights

	30 June 2021	31 December 2020	% change
Shareholders' funds (£'000)	91,528	77,144	+18.6
Net asset value per Ordinary share	413.97p	348.91p	+18.6
Share price (mid-market)	340.00p	313.00p	+8.6
Discount to net asset value per Ordinary share[A]	17.9%	10.3%	
Net gearing[A]	2.5%	7.0%	
Ongoing charges ratio[A]	1.25%	1.35%	

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 27 and 28.

Chairman's Statement

"The Company's share price over the period has increased by 8.6%, and since the half year end has continued to climb, illustrating a return of investor optimism towards UK equities"

Robert Lister, Chairman

Performance

I am pleased to report that your Company has delivered out-performance relative to its benchmark, the Numis Smaller Companies ex Investment Trusts Index in the six month period to the end of June 2021, with a net asset value ("NAV") total return of +20.1% versus a benchmark return of +17.4%.

The Company still also continues to display strong out-performance over 3 and 5 year periods. Over 1 year, however, the Company has under-performed its benchmark. This was driven largely by the sharp market rotation we saw, particularly during the months of November 2020 through to February 2021, which didn't favour the Manager's focus on long term quality and growth characteristics.

The Company's share price over the period has increased by 8.6%, and since the half year end has continued to climb, illustrating a return of investor optimism towards UK equities, particularly since March 2021, when signs of economic recovery became evident and the UK demonstrated a leading position in the COVID-19 vaccine rollout.

We are disappointed to see, however, that the Company's discount has widened, from -10.3% at the start of the year, to -17.9%, at the period end. This is something that the Board continue to monitor.

Company Gearing and Debt

The Company renewed its £5million revolving credit facility for a 1 year period in April 2021 and also has a 5 year £5million fixed rate loan facility expiring in 2023, of which a total of £7million is currently drawn down. Portfolio gearing stood at 2.5% at the end of June 2021, compared with 7.0% at the end of December 2020. The lower gearing percentage was not as a result of a reduction in the amount drawn down under the facility; it was reflective of a temporarily larger cash position held by the Manager at the period end, which had arisen due to the timing of trade settlements.

Dividend

For the first and second quarters of this year, the Board announced dividends of 2.15p each per Ordinary share (2020 – 2.06p each), an increase on last year's equivalent figures of 4.4%. This compares to an increase in the CPI for the first six months of this year of 1.9%.

Following a period of dividend cuts and cancellations in 2020, the companies in which the Company invests have predominantly returned to paying dividends in 2021, with some having boosted recent dividends to compensate for the lack of payments made last year. More information on this can be found in the Investment Manager's Review.

We've been pleased with the recovery in portfolio income since the onset of the pandemic, and are well on the pathway to 2019 levels. The dividend growth outlook across the holdings is being supported by the earnings growth that companies are demonstrating. The Company's remaining revenue reserves, are also available to be utilised, as necessary, to support resilient income to our shareholders.

In the meantime, the Company continues to maintain a good level of revenue reserves which has demonstrated that, in times of lower income levels, the Company can continue to provide an attractive return to shareholders.

The Manager

In July 2021, Standard Life Aberdeen plc changed its name to abrdn plc as part of a rebranding exercise. We expect the Company's Manager, Investment Manager and Company Secretary (Aberdeen Standard Fund Managers Limited, Aberdeen Asset Managers Limited and Aberdeen Asset Management PLC respectively) to also be renamed in the coming months.

Company Change of Name

The Board is supportive of the Manager's rebranding exercise and is currently considering options for the Company to change its name, to align itself to the new brand. We will keep shareholders informed via the Company's website and Stock Exchange announcements.

Board & AGM

During the first half of the year, Barry Rose retired from the Board and after a formal search process, Christopher Metcalfe was appointed as an independent Non-Executive Director in his place. It has been a privilege to experience Barry's acute forensic questioning and thinking and we believe that Christopher's extensive investment experience will be equally valuable.

Disappointingly, we were unable once again this year to welcome shareholders at our AGM, due to COVID-19. Your Manager's presentation, which would have been delivered at the meeting, has been uploaded to the Company's website, **www.aberdeensmallercompanies.co.uk**. I do recommend that you watch it.

Chairman's Statement Continued

Outlook

Your Manager and the Board view the outlook for the remainder of the Company's financial year with optimism. With smaller companies and mid-cap companies having a tendency to be at the forefront of market recovery, we have seen the companies in which the Company invests strongly driving earnings upgrades.

The Company has also seen good performance in recent months, and the value rally initiated by the vaccine announcement in November 2020, which ran through to February 2021, looks to be largely behind us.

Your Manager continues to engage with companies in order to identify the quality growth momentum businesses it likes to invest in, and we look forward to the next reporting period with confidence.

Balance sheets in the companies in which we invest are strong and dividend growth is now coming through, which we are hopeful will ensure a more steady level of income growth across the portfolio in the future.

Robert Lister,
Chairman
13 September 2021

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
- Gearing
- Income and Dividend
- Operational

Details of these risks are provided in detail on pages 21 to 23 of the 2020 Annual Report.

In addition to these risks, there are also a large number of international political and economic uncertainties which could have an impact on the performance of global markets. The outbreak of the COVID-19 virus has resulted in business disruption and stockmarket volatility across the world. The extent of the effect of the virus, including its long term impact, remains uncertain. The Manager has undertaken a detailed review of the investee companies in the Company's portfolio to assess the impact of COVID-19 on their operations such as employee absence, reduced demand, reduced turnover and supply chain breakdowns and will continue to review carefully the composition of the Company's portfolio and will be pro-active where necessary. In addition the Manager implemented extensive business continuity procedures and contingency arrangements to ensure that it is able to continue to service its clients, including investment trusts.

The Board will continue to monitor developments as they occur.

In all other respects, the Company's principal risks and uncertainties 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 2021.

Going Concern

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014, the Directors have undertaken a rigorous review and consider both that there are no material uncertainties and that the adoption of the going concern basis of accounting is appropriate. The Company's assets consist principally of equity shares in companies listed on the London Stock Exchange and in most circumstances are realisable within a short timescale.

The Directors have a reasonable expectation that 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. Given that the Company's portfolio comprises primarily "Level One" assets (listed on a recognisable exchange and realisable within a short timescale), and the Company's relatively low level of gearing, the Directors believe that adopting a going concern basis of accounting remains appropriate.

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)

- 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 2021 comprises the Interim Board Report and a condensed set of financial statements.

For and on behalf of the Board

Robert Lister,
Chairman
13 September 2021

Investment Manager's Review

Abby Glennie, Aberdeen Asset Managers Limited

The Company delivered a NAV total return of 20.1%, outperforming the Numis Smaller Companies ex-Investment Trusts Index return of 17.4% for the six month period to 30 June 2021. We were pleased to see the stronger performance in the second quarter reverse the underperformance in the first quarter; this delivered outperformance against the benchmark over the half year period.

Equity markets

The global economy started to recover from the effects of the pandemic in the first half of 2021. Despite a rise in COVID-19 cases in India and renewed outbreaks in many other geographies, vaccination programmes across the world gathered pace, leading to the progressive scaling back of restrictions. The recovery has been further fuelled by very supportive monetary and fiscal policy. Huge stimulus packages have continued to be announced, central banks have kept rates on hold and further support has been provided through bond buying programmes.

The recovery has been evident in the improvement in economic data and rise in corporate profitability. Despite economic growth falling by 1.5% in the first quarter, primarily due to lockdowns, the Bank of England raised its 2021 GDP growth forecast to 7.25% and noted that rising inflation numbers were most likely temporary. The earnings season saw investor focus shift to corporate earnings announcements, which were generally better than expected. While some travel related areas remain challenged, the acceleration in worldwide vaccine rollouts has allowed businesses to reopen and the economic recovery to broaden-out. UK markets in general have performed less well than most other markets, particularly the technology heavy Nasdaq Index in the USA, as well as most European and Far East markets, where COVID-19 was tackled in a more robust fashion, and economies made a quicker recovery. Mergers & Acquisitions activity continues to feature heavily in the UK market: this is driven by private equity funds and opportunist buyers taking advantage of the valuation-gap versus other markets, as well as the improving prospects of many businesses in a period of economic recovery.

The new issues market continues to be buoyant. As smaller companies investors, it has been pleasing to see the UK market hosting vibrant new growth businesses. We have enjoyed meeting prospective listed businesses but have remained selective and true to our Quality Growth and Momentum (QGM) investment process, with an income bias. We did not take part in any IPOs during the period as we were not comfortable that any provided both the quality growth aspects and the prospect of a growing dividend in the near term. More recently, we took part in the IPO of Seraphine, the maternity wear specialist, which we expect to yield around 1% and grow the dividend in line with expected earnings.

Performance

The portfolio return for the Company for the six month period to 30 June 2021 was 20.1%, versus a benchmark return of 17.4%.

We have always been clear that the portfolio is positioned to deliver outperformance over the cycle and that there will be periods when we will underperform. The team has run the QGM investment process for over 20 years and, over that time, has seen that, during the periods of sharp recovery that typically follow a crisis in the market, our strategy temporarily underperforms. This is usually due to investors focusing on companies that have been particularly hard-hit during that downturn and these stocks do not normally meet our investment criteria.

A recovery rally is one of the most challenging environments for the relative performance of our investment process. Thankfully they occur only rarely and typically during rising markets, which generally favour smaller companies. In these environments our absolute performance remains attractive for investors; this was seen in Q1 2021, whilst the Company's performance might lag relative to benchmark. We are long-term investors and do not consider it appropriate to switch into cyclical recovery stocks for a short period. We prefer to stick to our process in all macro environments. This is evidenced by the contrast in the Company's performance between Q1 and Q2.

The first quarter was characterised by underperformance relative to the benchmark, given the strong value rally that we saw in January and February. It favoured cyclical recovery stocks and produced a challenging environment for our QGM focus.

In the second quarter we strongly outperformed the benchmark, with reporting season driving a market focus back onto company fundamentals and less on macro factors; reporting season showed strong and resilient earnings growth profiles across the portfolio, supporting earnings upgrades for many holdings.

Over the first half of the year, this mixture of two very different market periods has delivered outperformance that we are pleased with.

Asset Managers **Liontrust** and **Tatton Asset Management** were top contributors in the period with both companies reporting good growth (both in terms of Assets under Management ("AUM") and revenue). It was impressive to see Liontrust grow AUM aggressively against the backdrop of the pandemic, thanks to net inflows, positive performance and bedding in its recent acquisition of Architas. The business is highly cash generative and ended the year with substantial cash on the balance sheet. The full year dividend came in materially ahead of estimates, leading to a 42% increase in the full year pay-out. Liontrust will not continue to build cash on the balance sheet without clear purpose and will likely distribute in line with earnings. Management have delivered exceptional growth and there is still much to be optimistic about. There is opportunity across the fund range with continuing growth from flows and performance, and potential in recent acquisitions; set against compelling market dynamics.

The discretionary fund manager **Tatton Asset Management** is a similar story of momentum in flows, alongside good performance. Management navigated challenges posed by COVID-19 successfully and the final results showed impressive growth and strong operating margins. Funds under Management ("FUM") is growing very strongly and management gave the market an idea of their ambition by increasing their target for FUM materially from the current £9billion to £15billion over the next three years. The outlook for this business is attractive, with scope to double its size in the medium term and build on already high margins.

DiscoverIE was also a positive contributor in the period. The business has evolved from a distributor of electronic components to an international designer, manufacturer and supplier of customised, differentiated electronics. The strategy is to focus on generating organic growth in four target markets that are underpinned by structural shifts; namely Renewable Energy, Transportation, Industrial & Connectivity and Medical. Such focus on markets with long term thematic growth drivers is key to growth and reduces cyclicality. Organic growth is supplemented by acquisitions to broaden the product portfolio and geographical reach. We had plenty of evidence that DiscoverIE could outperform in an upcycle and its 2021 results illustrated that the business model is equally effective in a downturn. This gave the market confidence in the strength and resilience of the model and management execution. DiscoverIE issued an impressive full year trading update evidencing strong momentum, impressive cash generation and a positive outlook. The company also enhanced its Environmental, Social and Governance ("ESG") credentials by targeting a 50% reduction in carbon emissions over five years through a combination of: buying electricity from renewable sources where possible; implementing energy reduction measures; and installing renewable energy electricity sources on site. We continue to believe in the growth prospects and its target markets, particularly renewables given the increasing desire to switch to more sustainable energy sources. The strength of the end markets and order book should sustain the momentum, together with a healthy pipeline of acquisitions and the balance sheet firepower to match.

Morgan Sindall added value with profits ahead of expectations and upgraded earnings guidance for the year. The UK construction business is benefiting from structural growth in infrastructure; this is driven by increased investment and increased demand to help companies adapt offices to future ways of working. We remain confident in the growth potential on offer alongside the attractive 4.2% yield.

Telecom Plus is a UK based multi-utility supplier. Trading as 'Utility Warehouse' it supplies gas, electricity, landline, broadband and mobile services to residences and businesses. Telecom Plus was a detractor from performance in the period, given home visits are the primary recruitment method and COVID-19 restrictions held back progress. Upon the full lifting of restrictions the business could see a material boost given the societal changes that are occurring. In particular, the shift to flexi/home-working is an ideal scenario for the company as it will provide more opportunity for partners to build their businesses; and customers will be more focused on their home services. In addition, the changes to the energy market mean that Telecom Plus can be very competitive on price. Furthermore, Ofgem is consulting on proposals to limit the level of consumer credit balances to ensure that those paying by direct debit do not overpay, which Ofgem estimates could result in cash being returned to customers if introduced in 2022. This could severely impact the business models of many of the company's competitors. The restrictions have been a headwind but investors have been paid to wait for the growth given the approximate 4.5% yield.

Investment Manager's Review Continued

Games Workshop ("Games") is the designer, manufacturer and distributor of the two most popular miniature war games in the world, Warhammer 40k and Age of Sigmar. It's unusual that Games appears as a detractor to performance for the portfolio. Long-term the company has been a strong positive contributor, and provides attractive and growing income. The shares climbed to an all-time high in the prior period, following a number of positive updates and despite COVID-19 disruption. The shares then drifted in the value rally at the beginning of the year. We were encouraged by the trading update in May 2021 which demonstrated another period of strong performance with profits ahead of expectations, despite currency headwinds and supply chain bottlenecks. The company's dividend policy is to return 'truly surplus capital'. To do this, the board of Games review the cash level regularly and return funds in excess of the level necessary for investment, running a sensible buffer so that the company does not require any bank borrowings. The board of Games announced a 50p dividend on the back of strong cash generation. Post COVID-19 the story has accelerated and management are investing for growth by expanding manufacturing and distribution capacity both in the UK and the USA. The outlook for the company is strong with a compelling product line-up and a healthy pipeline of licenced products to be released over the next few months. We still have strong conviction in the story and view Games as an asset of rare quality with standout returns and profitability metrics.

Assura owns primary healthcare properties in the UK comprising local GP surgeries, and larger primary care centres. The portfolio is split across a variety of sizes and locations. Assura's rental income is underpinned by a strong covenant, with the UK government (NHS) indirectly funding 84% of rental income. Assura invests in purpose-built, modern facilities let to primary care providers, easing the burden of national health requirements on hospitals and other advanced facilities. The NHS has made this central to its policy, creating a stable operating environment with steady demand and growing interest from both occupiers and investors. Assura was a detractor from performance given that the fears around the challenges presented by lockdowns meant surgeries had to operate on a remote basis. The property stocks have also lagged the recovery trade; however, the business has been resilient and has continued to receive rents in line with usual patterns. A solid cash flow and balance sheet also allowed continued expansion. Assura released strong FY 2021 results in May 2021 despite the adverse market conditions and the portfolio remains in a healthy position with 100% rent received during the financial year. We maintain that primary care remains a focus area for the NHS in order to facilitate both cost savings and improved patient outcomes, and we expect demand for modern, fit-for-purpose medical buildings to remain well supported. Assura's scale means there are greater avenues to growth and, given the challenges facing healthcare due to COVID-19, the company is well placed to support this.

Portfolio activity

As ever, our QGM with an income bias investment process has driven stock selection. During the first half of 2021 we added new positions in **Mortgage Advice Bureau, CMC Markets, Synthomer and Robert Walters** and exited positions in **4imprint** and **James Fisher.**

Mortgage Advice Bureau is one of the UK's leading consumer intermediary brands and specialist appointed representative networks for mortgage intermediaries. The fast growing platform model allows customers to choose how and when they want to research, receive advice and transact. Technology is at the heart of both face-to-face and telephone advice: helping to provide greater speed, ease, and convenience; and, by doing so, delivering an increasingly more compelling customer proposition. It has have demonstrated resilience in poor market environments since flotation in 2014; and we believe the momentum is set to build sharply while it converts a strong pipeline of advisers and when a number of long standing technology initiatives come to fruition. Management's lead generation tool, network management and adviser productivity agendas have the potential to be transformational to market share gains. The shares yield 2.8% with a strong dividend growth forecast. Management targets a pay-out ratio of 75% of adjusted earnings. The company's capital distribution capacity is underpinned by strong cash conversion and significant and growing capital surplus to regulatory requirements.

Synthomer is a specialist chemical company and one of the world's leading suppliers of aqueous polymers. It produces innovative formulations to support customers in a range of industries: from construction through paints and coatings, to healthcare. Synthomer works closely with its customers and targets a number one or two position in its core markets. Management's understanding of customer product and process requirements combined with their technology and process know-how are the key to the company's success. The strategy is to establish Synthomer as a growing global speciality chemical business through both organic growth (supported by investment in innovation) and inorganic growth. This high quality business offers strong earnings growth and strong cash returns to support the dividend yield of approximately 3%.

CMC Markets is primarily a provider of leveraged financial products (contracts for difference ("CFDs") and spread betting) to the retail market; other revenue streams come from stockbroking and white label contracts. There is a focus on diversifying the business beyond the leveraged product offering. Management recently announced they would launch a share dealing platform in the UK, to further diversify, and their ambitions are significant. Management have an unwavering strategic focus on high quality clients and we have seen record trading performance in the first half of the year. Profitability has been driven by increased client trading in the period as a result of higher market volatility and an increased client base. The company continues to deliver on strategic initiatives and maintain a healthy pipeline of projects that create new revenue streams through further product, channel and geographic diversification. These initiatives are all supported by technology and, through wider application, they can extend the offer and deliver further profitable growth. The CEO owns 60% of the company and is well aligned with investors. The shares yield approximately 4% and the dividend policy is to pay out 50% of profit after tax. After the period-end there were downgrades to earnings due to reduced client activity over July and August. Management view the reduction to client income as temporary and we are satisfied that the quantum of the downgrade to the current year's guidance is cautious, assuming that client activity remains subdued for the remainder of the financial year. In fact, since client numbers have been retained, we would expect a fast rebound when market volatility returns. In our view, this update emphasises the volatility in CMC's earning profile and should sharpen management's focus on the launch of the UK investment platform, to improve quality of earnings.

Having sold **Robert Walters** in the prior period due to lack of visibility in the shape or speed of their post COVID-19 recovery, we have now added a new position in view of momentum returning in the professional recruitment consultancy. We believe momentum is more than just a temporary flushing of pent-up demand, rather the start of something more sustained, as technology and flexible working changes longer-term dynamics. The global business historically has always gained share after a downturn. With the shares yielding over 3%, we believe the company's prospects now look promising.

We exited positions in **James Fisher** as the balance sheet remains troubled and we also exited **4imprint,** where visibility of recovery remains low. We are not yet sure whether the lasting implications of COVID-19 will result in structural problems for the business.

ESG

Through the 'Quality' aspects of our QGM process, we have embedded an ESG focus for many years. Without impacting the long term stability and strength of our matrix driven investment process we have, in recent years, built comprehensive ESG more formally into our thinking. ESG is embedded in all of our research and investment decisions. We have a well-resourced ESG investment team, with whom we work closely. We also have a dedicated smaller companies on-desk ESG analyst, Tzoulianna Leventi. When analysing the ESG credentials of a business, we are looking for both risks and opportunities. Many companies are keen to engage with us as a long-term shareholder, especially where we can use our in-house ESG expertise to help provide them with advice. The scale of our AUM in UK smaller companies delivers excellent engagement opportunities with management teams and our ability to help those companies to improve both their ESG qualities and how they demonstrate them to the market. It is beneficial for us to help a company improve its ESG credentials as it may lead to a higher stock rating. It can also reduce the risk of that investment. ESG is at the core of our process, and fits strongly within the 'Quality' aspect of our QGM investment style.

Through the period, we engaged with companies on ESG matters during company meetings, as well as some specific ESG engagements. One of these was DiscoverIE.

Together with our dedicated on desk ESG analyst we held an ESG specific meeting with **DiscoverIE** to learn more about the initiatives the company is undertaking. The company performed a materiality assessment to identify the most relevant ESG issues pertaining to its business and ascertain the appropriate targets for improvements. A materiality assessment has been undertaken and a number of issues were identified across the company; these have been prioritised for improvement. As referenced above, the company disclosed to the market the intention to reduce carbon emissions by 50% over five years. It also intends to improve ESG specific reporting and this will be showcased with improved disclosure around governance and ESG aspects and initiatives in its upcoming annual report. In conclusion, we consider DiscoverIE to have a clear ESG strategy and we will continue to engage with it as it makes progress.

Investment Manager's Review Continued

Fixed Income

Corporate bonds continued to perform well during the period despite some volatility in government bond markets. Inflation prints continue to exceed expectations and are causing some change in the rhetoric heard from central banks with regard to monetary policy. In the UK, interest rate increase are now being priced-in for 2022, although the government bond market remains sanguine. Excessive demand continues to be the driver of fixed income markets with central banks and investors continuing to take down supply. Meanwhile credit quality has been stable and even improving in certain sectors as have earnings. The financial sector continues to benefit from improvements in the economy.

Bonds within the portfolio performed well with spreads tightening modestly. Slightly longer maturities, such as the HSBC 6.5% 2024 bond, produced a positive total return despite the small back up in government bond yields; while the bond issued with the UK's Heathrow Airport generated a return of 0.8%, despite the challenging operating environment. The utility issuers generated some attractive returns over the period and the bond issued by Close Brothers redeemed on schedule in June 2021 and will be replaced as and when attractive opportunities emerge.

Outlook

Overall, it feels like the recovery rally phase has been sharp but short term, with earnings season having reversed that focus. Under-performance has taken place into rising markets thus absolute returns were attractive over the period. In a recovery phase, with more of a stock specific focus, we can look forward to sustained strong performance from small and mid-sized companies and more robust relative performance from our process. This is typical of the first half of an economic cycle. While we are positive for the outlook for the holdings in the portfolio, inflation remains the biggest issue. We are seeing supply chain dislocation and a return to labour shortages and wage inflation, not seen for a very long time. We suspect the supply and demand mis-match will be temporary and whilst we are keeping a watchful eye, we would argue that the companies we invest in are also ready and well-placed, with plenty of levers to pull. If markets suffer inflation, we expect the high quality, defensive characteristics of our process to cushion the blow somewhat.

Longer term, we remain confident about the outlook and the long-term discipline that our investment process provides. Small- and mid-cap companies tend to lead a market recovery, and this gives us a supportive environment over the coming periods. While a value rally may re-emerge, we believe it is over for now. When we look at value shares, many of these businesses fundamentally have uncertain outlooks and challenged balance sheets. We also believe that they are already pricing-in recovery to their earnings, which may not transpire.

The global economy will likely experience a period of growth above trend as it rebounds out of the COVID-19 crisis; however, investor attention will increasingly turn to trying to ascertain a sustainable level of growth over the longer term. We have been pleased with the earnings momentum and good results across the portfolio, with earnings upgrades consistent across the holdings, and we are confident that this will continue through the remainder of this year.

Aberdeen Asset Managers Limited
13 September 2021

Ten Largest Investments

As at 30 June 2021

Liontrust Asset Management
UK based asset manager, managing assets across a range of asset classes.

DiscoverIE Group
Supplier of niche electronic products, manufacturing customs designed and built electronics to industrial and medical companies across Europe and South Africa.

Morgan Sindall
UK leading business in construction and regeneration work.

Sirius Real Estate
German property business, managing and operating a range of multi use, out of town locations.

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

Intermediate Capital Group
Global alternative asset manager in private debt, credit and equity.

Softcat
Value added technology reseller in UK.

XP Power
A power solutions business that designs and manufactures power convertors used by customers to ensure their electronic equipment can function both safely and efficiently.

Strix Group
Global designer, manufacturer and supplier of kettle safety controls and related filtration products.

Assura
Long-term investor and developer of primary care property, working with general practitioners, health professionals and National Health Services to deliver patient care.

Portfolio – Equities

At 30 June 2021

Company	Sector Classification	Valuation 2021 £'000	Total portfolio %
Liontrust Asset Management	Investment Banking & Brokerage Services	4,266	4.6
DiscoverIE Group	Technology Hardware & Equipment	3,963	4.2
Morgan Sindall	Construction & Materials	3,655	3.9
Sirius Real Estate	Real Estate Investment & Services	3,293	3.5
Games Workshop	Leisure Goods	3,290	3.5
Intermediate Capital Group	Investment Banking & Brokerage Services	3,109	3.3
Softcat	Software & Computer Services	3,099	3.3
XP Power	Electronic & Electrical Equipment	2,717	2.9
Strix Group	Electronic & Electrical Equipment	2,684	2.9
Assura	Real Estate Investment Trusts	2,603	2.8
Ten largest investments		**32,679**	**34.9**
Kesko[A]	Personal Care Drug & Grocery Stores	2,531	2.7
Unite Group	Real Estate Investment Trusts	2,381	2.5
Bytes Technology	Software & Computer Services	2,332	2.5
AJ Bell	Investment Banking & Brokerage Services	2,305	2.5
Tatton Asset Management	Investment Banking & Brokerage Services	2,270	2.4
Telecom Plus	Telecommunications Service Providers	2,257	2.4
Safestore Holdings	Real Estate Investment Trusts	2,180	2.3
Hilton Food Group	Food Producers	2,149	2.3
Ultra Electronics	Aerospace & Defense	2,124	2.3
Hollywood Bowl	Travel & Leisure	2,067	2.2
Twenty largest investments		**55,275**	**59.0**
Alpha Financial Markets Consulting	Industrial Support Services	2,052	2.2
Polar Capital Holdings	Investment Banking & Brokerage Services	1,994	2.1
Close Brothers	Banks	1,939	2.1
Somero Enterprises	Industrial Engineering	1,858	2.0
Halfords	Retailers	1,855	2.0
Synthomer	Chemicals	1,809	1.9
Victrex	Chemicals	1,677	1.8
MJ Gleeson	Household Goods & Home Construction	1,651	1.8
FDM	Industrial Support Services	1,639	1.7
Chesnara	Life Insurance	1,564	1.7
Thirty largest investments		**73,313**	**78.3**

At 30 June 2021

Company	Sector Classification	Valuation 2021 £'000	Total portfolio %
Mortgage Advice Bureau	Finance & Credit Services	1,467	1.6
Impax Asset Management	Investment Banking & Brokerage Services	1,450	1.5
Dunelm	Retailers	1,313	1.4
Moneysupermarket	Software & Computer Services	1,296	1.4
Forterra	Construction & Materials	1,196	1.3
Severfield	Construction & Materials	1,181	1.3
Marshalls	Construction & Materials	1,135	1.2
Rathbone Brothers	Investment Banking & Brokerage Services	1,101	1.2
Midwich	Industrial Support Services	1,082	1.1
Robert Walters	Industrial Support Services	1,034	1.1
Forty largest investments		**85,568**	**91.4**
Target Health Care	Real Estate Investment Trusts	1,007	1.1
Stock Spirits Group	Beverages	975	1.1
Diploma	Industrial Support Services	964	1.0
Primary Health Properties	Real Estate Investment Trusts	929	1.0
Gateley Holdings	Industrial Support Services	881	0.9
CMC Markets	Investment Banking & Brokerage Services	870	0.9
RWS Holdings	Industrial Support Services	757	0.8
Total Equity Investments		**91,951**	**98.2**

[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 2021

Company	Valuation 2021 £'000	Total portfolio %
Corporate Bonds[A]		
NGG Finance 5.625% 18/06/73	446	0.5
Barclays Bank 9% Perp	361	0.4
Heathrow Funding 5.225% 15/02/23	321	0.4
SSE 3.625% Var 16/09/77	307	0.3
HSBC Holdings 6.5% 20/05/24	232	0.2
Total Corporate Bonds	**1,667**	**1.8**
Total Investments	**93,618**	**100.0**

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

Distribution of Assets and Liabilities

As at 30 June 2021

	Valuation at 31 December 2020		Movement during the period			Valuation at 30 June 2021	
	£'000	%	Purchases £'000	Sales £'000	Gains/ (losses) £'000	£'000	%
Listed investments							
Equity investments	80,354	104.2	7,165	(10,283)	14,715	91,951	100.5
Corporate bonds	2,100	2.7	–	(400)	(33)	1,667	1.8
	82,454	106.9	7,165	(10,683)	14,682	93,618	102.3
Current assets	1,935	2.5				5,807	6.3
Other current liabilities	(254)	(0.3)				(904)	(1.0)
Loans	(6,991)	(9.1)				(6,993)	(7.6)
Net assets	**77,144**	**100.0**				**91,528**	**100.0**
Net asset value per Ordinary share	**348.91p**					**413.97p**	

Investment Case Studies

Alpha Financial Markets Consulting

Founded in 2003 in the UK, Alpha Financial Markets Consulting ("Alpha FMC") is a global provider of specialist consultancy services to the asset/wealth management industry. The business has the largest dedicated team in the industry, with 400 consultants operating from 12 offices in the UK, Europe, the US and Asia. Its point of difference centres on the industry leading consulting expertise and proprietary benchmarking data. The business hires top performers from its competitors, namely the Big 4 accounting firms and Accenture etc. selecting candidates with 2-6 years' experience. The ability to attract and retain talent is central to the success of the Alpha FMC model.

Since listing on AIM in October 2017 management have developed a consistent track record of operational delivery and upgrades to earnings estimates. The brand strength, blue chip client base, competitive positioning, barriers to entry, strong cash generation and balance sheet strength all satisfy the quality requirements of our process. The margin is high and sustainable and can be reinvested to do bolt on acquisitions and increase headcount/teams to maintain returns. The highly focused market proposition together with the team's strong reputation in the industry enables them to regularly beat the international majors without competing on price.

Growing demand for consulting services is a powerful structural driver of growth. Alpha FMC provides consulting services across the asset management value chain, where growth is driven by higher AUM, rising cost pressures, regulatory change and consolidation. We expect these trends to continue, driving demand for Alpha FMC's services. In addition to these three primary drivers, new practices, new verticals and new geographies further drive growth. Alpha FMC has recently broadened out its service lines with a move into Insurance and ESG consulting. In May, the company increased its exposure to higher growth markets with the accretive acquisition of Lionpoint, a US-based consultancy to the Alternative Investment industry. Management have articulated a clear strategy to double the size of the business over the next four years. This will come from underlying organic growth in existing markets, tripling the size of the North American business, scaling in insurance consulting and further acquisitions of consulting, and data/product businesses.

Momentum in earnings estimates has been consistent since listing and delivery of organic growth in a pandemic year proves the resilience of the model. Alpha FMC's diversified and growing business, complemented by strong levels of utilisation and an excellent global pipeline should serve to sustain the momentum going forwards.

Alpha FMC has a capital light, cash generative business model and its sizeable net cash position supports the 2.3% yield and future Mergers & Acquisitions ambitions.

The strong fundamentals, structural drivers and the quality of Alpha FMC's proposition, together with the stated aspiration to double the size of the business in the next four years supports our investment case from here.

Investment Case Studies Continued

Impax Asset Management

Impax Asset Management ("Impax") has pioneered investment in the transition to a more sustainable global economy and today is one of the largest and longest established investment managers dedicated to this area. The business offers a well-rounded suite of investment solutions spanning multiple asset classes aiming to deliver superior risk adjusted returns over the medium to long term. Its products are distributed globally and the company has developed strong relationships with a range of intermediaries and partners who sell its white-label funds through their distribution networks which enables them to distribute to a much wider network of clients.

Impax is often thought of as an ethical or ESG investment manager but the scope is wider than that. The business is positioned to capitalise the shift to a more sustainable global economy. Some may argue that sustainability is the latest investment fashion and its resonance is vulnerable to fade; it's possible, yet it feels to us that the attention given to sustainability issues is only likely to increase and the company's long track record and specialism in this field entrenches its position.

Since the late 1990s Impax has argued that many of those companies that are tackling the environmental problems arising from human activity are set to out-perform their peers in other sectors. More recently, the company has extended its analysis and argued that the transition to a more sustainable global economy is accelerating, and that companies whose business models address social issues are providing additional investment opportunities. Having a universe of 1500 stocks globally also provides the opportunity to pivot capital toward stocks that offer the best risk adjusted returns and reduces the risk of the investment managers being sucked into crowded trades.

As specialists, management are focused on a small number of investment strategies which are highly scalable and enable them to balance tight cost control with the needs of an expanding business. Management continues to invest in investment management, client service capability, IT and infrastructure to support the growth while maintaining a rising operating margin. The company's strong organic growth coupled with its scalable platform should result in strong levels of operating leverage over the coming years.

Impax's balance sheet remains strong, allowing the board to support a dividend policy to pay out between 55% and 80% of adjusted profits and the company's shares yield approximately 2%

Since we invested in November 2020, we have been impressed with the strong growth in AUM which has continued to surpass analyst expectations by a considerable margin. Flows have been widely spread across the different products and distribution partners and AUM now stands at a record high despite the pandemic. The company still has an attractive pipeline of new business and interest in the investment products remains very healthy as all major investment strategies continued their five year record of out-performance versus their global comparator indices. We believe this demand is a long-term structural driver, with the asset class still offering attractive value compared to broader indices.

Condensed Statement of Comprehensive Income

		Six months ended 30 June 2021 (unaudited)			Six months ended 30 June 2020 (unaudited)			Year ended 31 December 2020 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value		–	14,682	14,682	–	(14,188)	(14,188)	–	(4,361)	(4,361)
Income										
Dividend income	2	1,202	–	1,202	705	–	705	1,766	–	1,766
Interest income from investments	2	43	–	43	31	–	31	73	–	73
Other income	2	–	–	–	2	–	2	2	–	2
		1,245	14,682	15,927	738	(14,188)	(13,450)	1,841	(4,361)	(2,520)
Expenses										
Investment management fee		(95)	(221)	(316)	(78)	(183)	(261)	(158)	(369)	(527)
Other administrative expenses		(194)	–	(194)	(184)	–	(184)	(382)	–	(382)
Finance costs		(26)	(62)	(88)	(28)	(65)	(93)	(55)	(128)	(183)
Profit/(loss) before tax		930	14,399	15,329	448	(14,436)	(13,988)	1,246	(4,858)	(3,612)
Taxation	3	(14)	–	(14)	–	–	–	(8)	–	(8)
Profit/(loss) attributable to equity holders		**916**	**14,399**	**15,315**	**448**	**(14,436)**	**(13,988)**	**1,238**	**(4,858)**	**(3,620)**
Return per Ordinary share (pence)	5	**4.14**	**65.13**	**69.27**	**2.03**	**(65.29)**	**(63.26)**	**5.60**	**(21.97)**	**(16.37)**

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 2021 (unaudited) £'000	As at 30 June 2020 (unaudited) £'000	As at 31 December 2020 (audited) £'000
Non-current assets				
Equities		91,951	71,008	80,354
Corporate Bonds		1,667	2,137	2,100
Securities at fair value		93,618	73,145	82,454
Current assets				
Cash and cash equivalents		5,414	1,582	1,615
Other receivables		393	221	320
		5,807	1,803	1,935
Current liabilities				
Bank loan		(2,000)	(2,000)	(2,000)
Trade and other payables		(904)	(273)	(254)
		(2,904)	(2,273)	(2,254)
Net current assets/(liabilities)		2,903	(470)	(319)
Total assets less current liabilities		96,521	72,675	82,135
Non-current liabilities				
Bank loan		(4,993)	(4,989)	(4,991)
Net assets		**91,528**	**67,686**	**77,144**
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		63,627	39,650	49,228
Revenue reserve		2,922	3,057	2,937
Shareholders' funds		**91,528**	**67,686**	**77,144**
Net asset value per Ordinary share (pence)	6	**413.97**	**306.14**	**348.91**

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

Condensed Statement of Changes in Equity

Six months ended 30 June 2021 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2020	11,055	11,892	2,032	49,228	2,937	77,144
Profit for the period	–	–	–	14,399	916	15,315
Dividends paid in the period	–	–	–	–	(931)	(931)
As at 30 June 2021	**11,055**	**11,892**	**2,032**	**63,627**	**2,922**	**91,528**

Six months ended 30 June 2020 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2019	11,055	11,892	2,032	54,086	3,595	82,660
(Loss)/profit for the period	–	–	–	(14,436)	448	(13,988)
Dividends paid in the period	–	–	–	–	(986)	(986)
As at 30 June 2020	**11,055**	**11,892**	**2,032**	**39,650**	**3,057**	**67,686**

Year ended 31 December 2020 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 December 2019	11,055	11,892	2,032	54,086	3,595	82,660
(Loss)/profit for the year	–	–	–	(4,858)	1,238	(3,620)
Dividends paid in the year	–	–	–	–	(1,896)	(1,896)
As at 31 December 2020	**11,055**	**11,892**	**2,032**	**49,228**	**2,937**	**77,144**

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

Condensed Statement of Cash Flows

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Cash flows from operating activities			
Dividend income received	1,183	823	1,757
Interest income received	–	2	73
Other income received	–	–	2
Investment management fee paid	(297)	(276)	(533)
Other cash expenses	(233)	(204)	(358)
Cash generated from operations	653	345	941
Interest paid	(88)	(91)	(177)
Overseas taxation suffered	(25)	(9)	(26)
Net cash inflows from operating activities	540	245	738
Cash flows from investing activities			
Purchases of investments	(6,493)	(10,642)	(21,204)
Sales of investments	10,683	12,185	23,197
Net cash inflows from investing activities	4,190	1,543	1,993
Cash flows from financing activities			
Equity dividends paid	(931)	(986)	(1,896)
Net cash outflows from financing activities	(931)	(986)	(1,896)
Net increase in cash and cash equivalents	**3,799**	**802**	**835**
Analysis of changes in cash and cash equivalents during the period			
Opening balance	1,615	780	780
Increase in cash and cash equivalents as above	3,799	802	835
Cash and cash equivalents at the end of the period	**5,414**	**1,582**	**1,615**

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

Notes to the Financial Statements

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 2020 financial statements, which received an unqualified audit report.

The financial statements have been prepared on a going concern basis. 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.

2. **Income**

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Income from investments			
Dividend income from UK equity securities	873	573	1,295
Dividend income from overseas equity securities	196	27	271
Property income distribution	133	105	200
	1,202	705	1,766
Interest income from investments	43	31	73
	1,245	736	1,839
Other income			
Bank interest	–	2	2
Total revenue income	**1,245**	**738**	**1,841**

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 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Profit attributable	916	448	1,238
Dividends declared	(951)[A]	(911)[B]	(1,820)[C]
	(35)	**(463)**	**(582)**

[A] Dividends declared relate to the first two interim dividends (both 2.15p each) declared in respect of the financial year 2021.
[B] Dividends declared relate to the first two interim dividends (both 2.06p each) declared in respect of the financial year 2020.
[C] Dividends declared relate to the four interim dividends (2.06p each) declared in respect of the financial year 2020 totalling 8.24p.

Notes to the Financial Statements Continued

5. Return per Ordinary share

	Six months ended 30 June 2021 p	Six months ended 30 June 2020 p	Year ended 31 December 2020 p
Revenue return	4.14	2.03	5.60
Capital return	65.13	(65.29)	(21.97)
Net return	**69.27**	**(63.26)**	**(16.37)**

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

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Revenue return	916	448	1,238
Capital return	14,399	(14,436)	(4,858)
Net return	**15,315**	**(13,988)**	**(3,620)**
Weighted average number of Ordinary shares in issue	**22,109,765**	**22,109,765**	**22,109,765**

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

	As at 30 June 2021 (unaudited)	As at 30 June 2020 (unaudited)	As at 31 December 2020 (audited)
Attributable net assets (£'000)	91,528	67,686	77,144
Number of Ordinary shares in issue	22,109,765	22,109,765	22,109,765
Net asset value per Ordinary share (p)	413.97	306.14	348.91

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 gains/(losses) on investments at fair value in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Purchases	30	41	74
Sales	8	9	15
	38	**50**	**89**

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 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Opening balance	6,991	6,987	6,987
Amortisation of arrangement costs	2	2	4
Closing balance	**6,993**	**6,989**	**6,991**

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 2021 (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)	91,951	–	–	91,951
Quoted bonds	b)	–	1,667	–	1,667
		91,951	**1,667**	**–**	**93,618**

At 30 June 2020 (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)	71,008	–	–	71,008
Quoted bonds	b)	–	2,137	–	2,137
		71,008	**2,137**	**–**	**73,145**

At 31 December 2020 (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)	80,354	–	–	80,354
Quoted bonds	b)	–	2,100	–	2,100
		80,354	**2,100**	**–**	**82,454**

Notes to the Financial Statements Continued

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 Aberdeen Standard Fund Managers Limited ("ASFML" 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 £316,000 (30 June 2020 – £261,000; 31 December 2020 – £527,000) of investment management fees were payable to the Manager, with a balance of £113,000 (30 June 2020 – £85,000; 31 December 2020 – £94,000) being payable to ASFML at the period end. During the period and at the period end, the Company held £5,105,000 (30 June 2020 – £nil; 31 December 2020 – £nil)) in Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund which is managed and administered by the Aberdeen Standard 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 £22,000 (30 June 2020 – £22,000; 31 December 2020 – £44,000) were payable to the Manager in connection with the promotion of the Company. The balance outstanding at the period end was £22,000 (30 June 2020 – £11,000; 31 December 2020 – £22,000).

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 2021 and 30 June 2020 has not been audited.

The information for the year ended 31 December 2020 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 2021.

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.

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. NAV total return involves investing the net dividend in the NAV of the Company with debt at par value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAV and share price of the Company on the dividend reinvestment dates during the six months ended 30 June 2021 and the year ended 31 December 2020.

Six months ended 30 June 2021	Dividend rate	NAV	Share price
31 December 2020	2.06p	348.91p	313.00p
1 April 2021	2.15p	368.75p	310.00p
30 June 2021	N/A	413.97p	340.00p
Total return		**20.1%**	**9.4%**

Year ended 31 December 2020	Dividend rate	NAV	Share price
31 December 2019	N/A	373.86p	343.00p
2 January 2020	2.40p	374.10p	341.50p
2 April 2020	2.06p	253.97p	216.00p
2 July 2020	2.06p	309.67p	258.00p
8 October 2020	2.06p	320.93p	260.00p
31 December 2020	2.06p	348.91p	313.00p
Total return		**–4.1%**	**–5.1%**

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 2021	31 December 2020
NAV per Ordinary share (p)	a	413.97	348.91
Share price (p)	b	340.00	313.00
Discount	**(b-a)/a**	**17.9%**	**10.3%**

Alternative Performance Measures Continued

Net gearing. Net 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 2021	31 December 2020
Borrowings (£'000)	a	6,993	6,991
Cash and cash equivalents (£'000)	b	5,414	1,615
Amounts due to brokers (£'000)	c	671	–
Amounts due from brokers (£'000)	d	–	–
Shareholders' funds (£'000)	e	91,528	77,144
Net gearing	**(a-b+c-d)/e**	**2.5%**	**7.0%**

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 net asset values with debt at fair value throughout the year. The ratio for 30 June 2021 is based on forecast ongoing charges for the year ending 31 December 2021.

	30 June 2021	31 December 2020
Investment management fees (£'000)	660	527
Administrative expenses (£'000)	369	382
Less: non-recurring charges[A] (£'000)	(14)	(23)
Ongoing charges (£'000)	**1,015**	**886**
Average net assets (£'000)	**87,540**	**70,608**
Ongoing charges ratio (excluding look-through costs)	1.16%	1.25%
Look-through costs[B]	0.09%	0.10%
Ongoing charges ratio (including look-through costs)	**1.25%**	**1.35%**

[A] Professional services comprising new director recruitment costs and legal fees considered unlikely to recur.
[B] Costs associated with holdings in collective investment schemes as defined by the Committee of European Securities Regulators' guidelines on the methodology for the calculation of the ongoing charges figure, issued on 1 July 2010.

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.

Investor Information

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or an online dealing and investment platform or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investment Trust Share Plan, Individual Savings Account ("ISA") or Investment Plan for Children.

Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing the Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2021/22.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing the Aberdeen Standard Investments in writing at any time.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the Aberdeen Standard Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2021/22 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times and information of the Company may be found on its dedicated website: aberdeensmallcompanies.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.

Twitter:

twitter.com/AberdeenTrusts

LinkedIn:

linkedin.com/company/aberdeen-standard-investment-trusts

Investor Information Continued

Details on the Company or literature and application forms on the Manager's investment trust products can be found:

Website: **invtrusts.co.uk**
Email: **inv.trusts@aberdeenstandard.com**
Tel: **0808 500 0040**

Address: Aberdeen Standard Investment Trusts , PO Box 11020, Chelmsford, Essex CM99 2DB

Terms and conditions for the Manager's investment trust products can be found under the Literature section of this website.

If you have an administrative query which relates to a direct shareholding in the Company, please contact Equiniti Limited, the Company's Registrars (see page 33 for details).

Any general queries about the Company should be directed to the Company Secretary in writing (see page 34 for details) or by email to CEF.CoSec@aberdeenstandard.com

Key Information Document ("KID")
The KID relating to the Company and published by the Manager can be found on the Company's website.

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.

Online Dealing providers and platforms
There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as a self-invested personal pension ("SIPP"). Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines.

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**.

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 FCA:

Tel: **0800 111 6768** or
Website: **fca.org.uk/firms/financial-services-register**
Email: **consumer.queries@fca.org.uk**

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

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under their management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact its Customer Services Department using the above details.

The FCA provides advice with respect to share fraud and boiler room scams at: **fca.org.uk/consumers/scams**

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 above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors
Robert Lister, Chairman
David Fletcher
Dagmar Kent Kershaw
Christopher Metcalfe

Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

(Authorised and regulated by the FCA)

Investment Manager
Aberdeen Asset Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

(Authorised and regulated by the FCA)

Secretary and Registered Office
Aberdeen Asset Management PLC
1 George Street
Edinburgh
EH2 2BL

Telephone: 0131 372 2200

Email: CEF.CoSec@aberdeenstandard.com

Company Registration Number
SC137448 (Scotland)

Website
www.aberdeensmallercompanies.co.uk

Broker
Winterflood Securities

Auditors
Ernst & Young LLP

Depositary
BNP Paribas Securities Services, London Branch

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0371 384 2030
Overseas: +44 (0)121 415 7047
Textel/Hard of hearing line: 0371 384 2255

(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).

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

Legal Entity Identifier
213800J6D2TVHRGKBG24

Pre-investment Disclosure Document (PIDD)
The Alternative Investment Fund Managers Directive requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager of Aberdeen 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.

Visit us online
aberdeensmallercompanies.co.uk