abrdn UK Smaller Companies Growth Trust plc

Half Yearly Report 31 December 2024

Capturing the growth potential of UK smaller companies

abrdnuksmallercompaniesgrowthtrust.co.uk

Contents

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Investment Objective

The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.

Reference Index

The Company's reference index is the Deutsche Numis Smaller Companies plus AIM (ex investment companies) Index.

Performance Highlights

Net asset value total return[A]
Six months ended 31 December 2024

+1.9%

Year ended 30 June 2024 +18.1%

Share price total return[A]
Six months ended 31 December 2024

+4.9%

Year ended 30 June 2024 +21.0%

Reference Index total return
Six months ended 31 December 2024

+0.8%

Year ended 30 June 2024 +10.0%

Discount to net asset value[A]
As at 31 December 2024

10.1%

As at 30 June 2024 12.5%

Revenue return per share
Six months ended 31 December 2023

5.93p

Six months ended 31 December 2023 6.00p

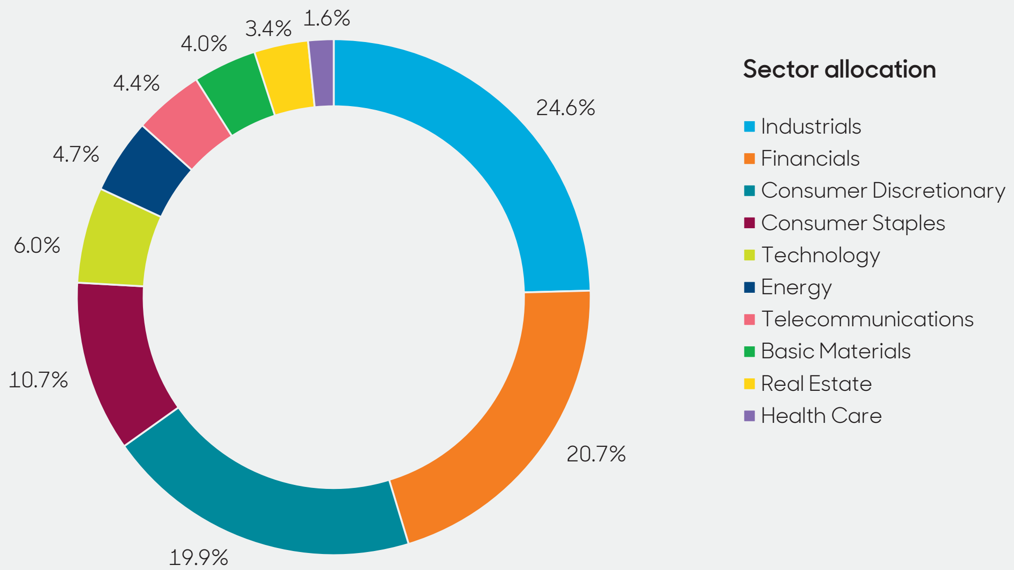
Ongoing charges ratio[A]
Forecast year ending 30 June 2025

0.86%

Year ended 30 June 2024 0.92%

[A] Considered to be an Alternative Performance Measure as defined on pages 26 and 27.

Investment Portfolio by Sector



Financial Calendar, Dividends and Highlights

Financial Calendar

Payment of interim dividend for the year ending 30 June 2025	**18 April 2025**
Financial year end	**30 June 2025**
Expected announcement of results for year ending 30 June 2025	**September 2025**
Annual General Meeting (London)	**November 2025**
Expected payment of final dividend for the year ending 30 June 2025	**28 November 2025**

Financial Highlights

	31 December 2024	30 June 2024	% change
Capital return			
Total assets[A]	**£428.9m**	£453.1m	–5.3%
Equity shareholders' funds	**£388.9m**	£413.1m	–5.9%
Market capitalisation	**£349.5m**	£361.3m	–3.3%
Net asset value per share[B]	**558.70p**	556.19p	+0.5%
Share price	**502.00p**	486.50p	+3.2%
Discount to net asset value[C]	**10.1%**	12.5%	
Net gearing[C]	**6.6%**	5.8%	
Reference index	**5,498.80**	5,534.18	–0.6%
Dividends and earnings			
Revenue return per Ordinary share[D]	**5.93p**	6.00p	–1.2%
Interim dividend per share	**3.70p**	3.70p	–
Operating costs			
Ongoing charges ratio[CEF]	**0.86%**	0.92%	

[A] Defined as total assets per the Statement of Financial Position less current liabilities (before deduction of bank loans).
[B] With debt at par value.
[C] Considered to be an Alternative Performance Measure as defined on pages 26 and 27.
[D] Figure for 31 December 2024 is for the six months to that date. Figure for 30 June 2024 is for the six months to 31 December 2023.
[E] The ongoing charges ratio for the current year includes a forecast of costs, charges and assumes no change in net assets for the year to 30 June 2025.
[F] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

"The Company delivered modest outperformance over its reference index, enabling it to build on the substantial outperformance that it achieved in the previous year."

Chairman's Statement

Dear Shareholders

I am pleased to report that your Company delivered positive share price and net asset value ("NAV") total returns during the first six months of its financial year, delivering modest outperformance over its reference index and enabling it to build on the substantial outperformance that it achieved in the previous year. I set out some details on this below.

Performance

The political landscape was a significant feature of the second half of 2024 when, among others, the electorates of the UK and the US both voted for change, the impact of which is very much in evidence. In the UK there was early optimism in the wake of the UK General Election. This drove the UK smaller companies asset class up almost 6% in July, as measured by the Deutsche Numis Smaller Companies including AIM (ex Investment Companies) Index, which is the Company's "reference index". This was not sustained as rumours as to what might be in the Budget on 30 October started to dominate the media and affected confidence. One of the big threats was the suggestion that the Inheritance Tax concession which has historically applied to some AIM listed companies might be removed. Although these concerns were only partially correct, the changes to Employer National Insurance thresholds and rates which will come in on 5 April 2025 have acted to dampen the outlook for UK plc, particularly where operations are predominantly onshore. Over the last couple of months of 2024, the market was largely flat.

The net asset value ("NAV") total return for the six month period was 1.9% while the share price delivered a total return of 4.9%. The difference between these returns is reflected in the movement in the discount, which narrowed from 12.5% on 30 June 2024 to 10.1% at the end of the period. The Company outperformed the reference index, which produced a total return of 0.8%.

The Investment Manager's Review provides further information on individual stock performance and portfolio activity during the period, as well as the Investment Manager's outlook for the portfolio and the wider smaller companies sector.

Earnings and Dividend

The headline numbers on the Statement of Comprehensive Income are significantly affected by the share buy back activity during the period, which is described in more detail in the section below. The share buy backs have reduced the size of the portfolio and thus its earnings capacity. However, while the net revenue after tax was down 15.3% to £4.3 million, revenue earnings per share ("EPS") for the six months to 31 December 2024 only declined by 1.2% to 5.93p (2023: 6.00p).

Against this backdrop, the Board is declaring a maintained interim dividend of 3.70p per share which will be paid on 18 April 2025 to shareholders on the register on 21 March 2025, with an associated ex-dividend date of 20 March 2025.

Gearing

The Company has a £40 million revolving credit facility ("RCF") with The Royal Bank of Scotland International which matures in November 2025. At the end of the period, the level of gearing, net of cash, was 6.6% (30 June 2024: 5.8%), with £40 million drawn down under the RCF at an interest rate of 6.25%. The Board will review proposals for the renewal of the facility prior to its maturity.

Total returns to 31 December 2024	6 months %	1 year %	3 years %	5 years %	10 years %
NAV[A]	+1.9	+12.2	–27.9	–2.6	+119.6
Share price[A]	+4.9	+12.4	–29.4	–13.3	+116.1
Reference Index[B]	+0.8	+5.0	–15.4	+6.6	+60.9
Peer Group weighted average (NAV)	–1.7	+8.4	–13.4	+12.2	+93.3
Peer Group weighted average (share price)	–2.5	+6.0	–17.5	+1.8	+94.5

[A] Considered to be an Alternative Performance Measure.

[B] Deutsche Numis Smaller Companies including AIM (ex investment companies) Index, prior to 1 January 2018 Deutsche Numis Smaller Companies (ex investment companies) Index.

Source: abrdn and Refinitiv Datastream

Discount Control and Share Buy Backs

As stated above, the Company's shares were trading at a discount of 10.1% to the NAV per share at the end of December, comparing to 12.5% at the start of the period. Although there was some narrowing in the discount towards the end of the period, it remained at a level where the Board felt it was in the best interests of shareholders as a whole to continue to buy back shares. Consequently, the Company was active in the market on most days and bought back 4.7 million shares (6.3% of the opening issued share capital) worth £23.5 million at an average discount of 11.1%. The buybacks acted to enhance the NAV per share by 0.7%.

The Board has a policy of using buybacks to target a maximum discount of the share price to the cum-income net asset value of 8% under normal market conditions. It considers that this policy helps provide investors with a degree of reassurance that the Board will endeavour to limit any widening of the discount beyond the target level and to reduce the volatility of the discount. This in turn should help increase demand for the shares, which should have a net positive effect on the discount, particularly when coupled with strong performance.

The Board considers that, given investor sentiment has remained negative towards the UK smaller companies sector as a whole, evidenced by outflows in the open ended sector, it is to be expected that the Company would face discount pressure in common with most of the peer group. As a result, the discount has been wider than the target level. Whilst the Board takes into account the wider investment trust sector discount levels when implementing its buyback policy, it remains committed to its long-term target of 8% and will continue to be active in the market when it believes it to be in the best interests of shareholders.

Outlook

After the political changes that dominated the news in 2024, we do now have visibility as to who is leading the agendas in the UK and the US. These are the two most important markets for your Company, the former because it is where most of the operations of the investee companies are based and the latter because decisions made in the US frequently impact on global businesses both directly and through fluctuations in the US Dollar. This removes one element of uncertainty, so disliked by markets. Having said that, there remain concerns about the outlook for the UK with the possibility of mild stagflation back in the frame despite the UK Government's avowed focus on growth. Indeed the Bank of England's interest rate cut in early February is against a backdrop of a likely increase in inflation over the next six months caused principally by high energy costs. With inflation now expected to peak by the autumn, reaching the Bank of England's target level of 2% seems to have been pushed out to 2027. Whilst further interest rate cuts are still expected this year, against this overall landscape, the economic outlook cannot be described as bright.

At the same time, the impact of President Trump's various pronouncements, in particular with respect to tariffs on global trade but also on expanding US influence and control in various geographies, have yet to be seen.

Notwithstanding the difficult investment environment, the portfolio managers have demonstrated that they have the processes and experience to navigate choppy waters. They put a great deal of effort in getting to know the management of the companies in which the portfolio is invested in order to gain an understanding of their ability to position their companies to adapt to the changing economic landscape. It is important to remember that the Company invests in companies, not markets, and the portfolio's holdings are frequently in companies which are market leaders in their particular specialism. There are investment opportunities out there, but the economic conditions and numerous other uncertainties indicate a challenging time ahead.

Liz Airey
Chairman
5 March 2025

Interim Management Report

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 Financial Reporting Standard 104 'Interim Financial Reporting';
- The Interim Board Report (constituting the interim management report) includes a fair review of the information required by DTR 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 year; and
- The financial statements include a fair review of the information required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

Principal and Emerging Risks and Uncertainties

The Board regularly reviews the principal and emerging risks and uncertainties faced by the Company together with the mitigating actions it has established to manage the risks. These are set out within the Strategic Report contained within the Annual Report for the year ended 30 June 2024 and comprise the following risk categories:

- Strategy
- Investment performance
- Key person risk
- Share price
- Financial instruments
- Financial obligations
- Regulatory
- Operational
- Geopolitical

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. These include the conflicts in Ukraine and the Middle East, as well as continuing tensions between the US and China. The Board is also conscious of the impact of higher than forecast inflation and the implications for interest rates, and also the potential impact on economic growth of recently announced US trade tariffs. Other than these factors, the Company's principal risks and uncertainties have not changed materially since the date of the Annual Report and no material change is foreseen in the principal risks over the remainder of the financial year.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants. The Board has also reviewed stress testing analysis and considered the liquidity of the portfolio.

As at 31 December 2024, the Company had a £40 million unsecured revolving credit facility with The Royal Bank of Scotland International Limited which matures on 1 November 2025. The facility was fully drawn down at the end of the period. The Board will review proposals for the renewal of the facility prior to its maturity.

The Directors are mindful of the Principal Risks and Uncertainties summarised above and they believe that the Company has adequate financial resources to continue in operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise, as well as share buy back commitments. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Condensed Statement of Financial Position as at 31 December 2024 which shows net current liabilities of £27.5 million at that date, and do not consider this to be a concern due to the liquidity of the portfolio which would enable the Company to meet any short term liabilities if required.

Taking all of this into account, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board
Liz Airey
Chairman
5 March 2025

Investment Manager's Review

The net asset value ("NAV") total return for the Company for the six months to 31 December 2024 was 1.9% while the share price total return was 4.9%. By comparison, the UK smaller companies sector as represented by the Deutsche Numis Smaller Companies including AIM (ex investment companies) Index (the "reference index") delivered a total return of 0.8%.

Overview

The second half of 2024 was a busy period for macro news, with the results of the UK and US elections removing the incumbents and replacing them with new leaders making new promises. In October, the UK government promised growth in its budget but, despite its pro-growth agenda, some of the tax and regulatory measures announced are widely considered to be anti-growth. Yet, the UK equity and bond markets have largely moved sideways since the Budget, suggesting no major surprise in the policy overall. In the near-term, UK businesses are working though the implications of the proposed tax rises and changes to Employers' National Insurance rates and will have to do much to contain cost inflation. Automation programmes to improve productivity are set to become more of a focus for UK businesses.

2024 proved to be a year of two halves, with optimism in the first half rapidly evaporating in the second half, and recovery in certain sectors has been slower to materialise than the market expected, leading to profit warnings. While savers have been benefiting from elevated savings rates, an expected recovery in big ticket discretionary consumer spending that is linked to lower interest rates remains subdued. We sense that replacement cycles for these types of items are lengthening, not helped by a slow housing transaction market. Having said that, holiday spending has remained a sacrosanct as households continue to prioritise spending in this area. The Industrials sector had a tough six months, taking longer than expected to rebuild order books. There have been a range of macro data points and manager surveys to scrutinise since the Budget, but it is too early to determine how the economy will progress and the pace at which interest rates fall or if inflation will creep back into the system. We will take our lead directly from engagement with the management teams of the companies in the portfolio and regular meetings with them enable us to take the temperature of UK businesses across a range of sectors.

We are bottom-up, not top-down, investors and 2024 was a more normal year for the economy and stock markets in the sense that there was not a disturbance caused by large and unusual external shocks. In this environment, markets were more rational and good stock picking was rewarded. Our focus on Quality served us well and the companies held in the portfolio have delivered operationally and earnings have been resilient. We have backed new ideas with conviction, and portfolio turnover has been slightly higher than average driven by two factors. Firstly, our stock screening tool, the Matrix, has helped us be nimble and to identify an appealing array of new Quality, Growth & Momentum ("QGM") ideas which we have added to the portfolio. Our new ideas have been found across a range of sectors, with no themes dominating. Secondly, the recovery has been more drawn out than the market expected for some holdings and, faced with sluggish momentum in some of these, we exited. Stocks that we exited in the first half of 2024 suffered continued weakness in the second half of the year, reassuring us that it was right to move on from those. We have maintained a high level of engagement with management teams, including site visits and meetings with new executive teams and Chairs.

"The portfolio's relative out-performance was consistent throughout the period, with limited monthly volatility and the Matrix strength and consistency of performance in factors were notable."

Performance

The period under review lacked momentum as investors awaited the outcome of the Budget. A key aspect of the Budget for UK smaller companies was the reduction in the tax benefit of investing in AIM-listed companies for Inheritance Tax purposes. Whilst not as bad as worst fears, we still believe this reduces the attractiveness of the AIM market for investors, particularly for companies coming to this market in the future. Quality stocks performed well, and we believe that is largely due to earnings resilience – companies achieving and exceeding expectations. Profit warnings have been prevalent across the market and, while the portfolio hasn't been immune to them, avoiding many of them was crucial as even shares of companies on lower ratings sharply underperformed on warnings. The portfolio's relative out-performance was consistent throughout the period, with limited monthly volatility and the Matrix strength and consistency of performance in factors were notable.

Investment Manager's Review

Continued

The five top contributors to performance during the period were as follows:

Morgan Sindall (1.56% contribution, closing weight 4.8%) – had strong operational delivery and solid financial performance which has driven an exceptionally strong run in the shares, boosted by a high level of activity in fit out and construction.

Cairn Homes (0.92% contribution, closing weight 3.2%) – delivered an excellent first half, driven by scaling its output of highly efficient new homes in Ireland, and its strong order book drove upgrades to outer years.

Raspberry Pi (0.58% contribution, closing weight 1.5%) – has made solid progress, demonstrating both commercial and technology progress with its channel strategy, improving the supply chain position, traction with custom products and new product launches despite muted updates from the wider industry.

XPS Pensions (0.58% contribution, closing weight 4.0%) – delivered strong growth and upgrades to earnings driven by strong client demand and a supportive regulatory backdrop.

Volution (0.56% contribution, closing weight 2.6%) – produced another period of impressive delivery as the business continues to benefit from its focus on the structurally attractive ventilation category and its broad geographic platform. The shares reacted well to the acquisition of the Fantech group, a provider of commercial and residential ventilation solutions in the Australian and New Zealand markets, a strategically relevant deal at a good price.

The five biggest detractors to performance during the period were as follows:

Ashtead Technology (-0.91% contribution, closing weight 2.6%) – despite solid half year results which demonstrated ongoing strong demand and good organic growth, meeting expectations and providing in-line guidance were not enough to support the shares after a strong run over the past 18 months. Its shares are AIM listed and so were also impacted by changes to AIM tax benefits detailed in the Budget.

Hunting (-0.79% contribution, closing weight 1.9%) – despite US headwinds, the non-US business and its diversification over recent years was fuelling significant growth. That growth continues but, with the US slowdown tougher than had been expected, the company has reined its guidance back in towards the bottom of its initial guided range for the year.

Mortgage Advice Bureau (-0.63% contribution, closing weight 1.9%) – the shares have been held back by an FCA market study into pure protection products despite being well positioned for good customer outcomes in this area. Its shares are AIM listed.

Next 15 (-0.60% contribution, closing weight 0.8%) – the shares reacted badly to downgrades to earnings reflecting a softer macro backdrop and loss of a significant contract. Its shares are AIM listed.

Bytes Technology (-0.37% contribution, closing weight 1.2%) – the shares weakened on concerns around IT spend and Microsoft exposure despite good management communication about the short term factors that impact the share price.

"Seven new holdings were added to the portfolio during the period and there were seven exits."

Portfolio Activity

Seven new holdings were added to the portfolio during the period.

Savills is a globally diverse real estate agent, predominantly focused on commercial property markets, with leading positions in the UK and Asia. Savills undertakes transactional services (capital markets/leasing), property management, consultancy and investment management. Profits have been depressed as transactions have slowed and, in contrast to its peers, management has continued to invest in the business since Covid. We expect macro headwinds to progressively abate, in response to improved price transparency in commercial markets and a moderation in interest rate expectations. The key catalyst will be a recovery in capital market transactions and leasing volumes in the global real estate market. Savills' different geographies will recover at different times/rates and factors such as debt maturities and higher property yields should prompt progressively higher volumes going forward.

Trustpilot is the world's largest open review-management platform by number of reviews and consumer engagement. It has a huge addressable market across the UK, North America and Europe & Rest of World. Product suite, vertical end-market and global geographic expansion increase Trustpilot's opportunities, and the business is forecast to grow revenues substantially in the coming years. Given the strong network effects of the model, which drive higher growth as penetration rises, this supports long-term revenue growth. As a platform business, there is strong operational leverage and there is margin improvement to enjoy. Trustpilot has demonstrated its ability to deliver profitable growth. Cash generation is strong, as is the balance sheet, and the business benefits from organic growth as well as an ability to do bolt-on M&A and/or return excess cash to shareholders.

ME Group is a high-quality UK-based designer, manufacturer and operator of automated vending machines in high-footfall locations. Photo.ME is a market leader in the automated vending machines segment, with a dominant market share. The business has a newer Wash.ME division which is high growth and high margin. There is potential for further estate expansion in existing geographies, as well as moving into new ones. Further expansion should contribute favourably to the product mix and improve group level margins.

Applied Nutrition is a leading sports nutrition, health and wellness brand, which formulates and creates nutrition products targeted at a wide range of consumers in over 80 countries via a business to business ("B2B") model, The founder has built a strong global disruptive brand with a lean operating base with vertically integrated manufacturing in a market with structural growth dynamics. The B2B model, where distributors control the relationships with end customers in their local markets, is unique in this industry and is a differentiator underpinning future success.

Bloomsbury Publishing is unique both in its independence as a medium-sized publisher and its combination of both general and academic publishing. A strategy focussed on building a 'portfolio of portfolios' ensures good diversification by channel (e.g. digital products, print, eBooks, audio), territory, and markets (academic and consumer publishing). Such diversification means there is more than one way of monetising an asset, thereby adding value and longevity to its portfolio. The Bloomsbury virtuous circle sees investment in quality content driving demand and strong cash flows, which can then be reinvested in further content.

Avon Technologies has a market-leading respirator and helmet portfolio. The business is enjoying good momentum with recent new contract wins and opportunities for operational improvement. The business has a relatively new CEO, Jos Sclater (appointed January 2023) who is executing well and improving financial performance. Avon enjoys strong positions (sole source in many cases) on several multi-year contracts, providing a helpful underpinning and predictability to sales.

Breedon supplies a range of quarried materials and related products/services in the UK, Ireland, and, most recently, the US Midwest (through the 2024 acquisition of BMC). Looking forward, we believe the business is well-placed given its asset-backing, exposure to infrastructure activity, and decentralised local model. These factors alongside management's track record of under-promising and over-delivering are key elements of the investment case. We are positive on Breedon's prospects, driven by a macro recovery in due course, margin normalisation to target/historical levels, and a continuation of its successful M&A track record.

We exited seven holdings during the period.

Big Technologies has been through a period of slower momentum, having missed out on a large bid in the UK, losing a Colombian contract and the business is facing a litigation claim. The combination of this and increased organic investment in the US, has led to downgrades and a loss of investor confidence.

Liontrust Asset Management. The franchise remains competitive and highly geared to an improvement in the operating environment, yet it is currently difficult to gauge when conditions might turn positive.

Robert Walters. Recruitment consultants are facing a prolonged period of challenging conditions, against a backdrop of fee income declines across all regions. Whilst management reiterated its assertion that any material improvement in confidence levels will be gradual, and not likely to commence until calendar year 2025, the business suffered a weaker than anticipated September trading period which compounds pressure on near term forecasts.

YouGov issued an unexpected profit warning in June, driven by tough trading conditions, operational miss steps and increased competition. After profit warnings of this magnitude, the time taken for managements to rebuild credibility with investors can be considerable. With growth prospects severely downgraded we exited the position.

We also exited the positions in **Midwich** and **Marlowe** due to uncertainty over their future prospects and **Alpha Financial Markets Consulting** following a bid from Bridgepoint.

Investment Manager's Review

Continued

Top Ups for the period included **Cairn Homes, Paragon Banking, AJ Bell, Trustpilot, Raspberry Pi, Alpha Group International** and **Coats.** All are trading well and producing positive Matrix scores.

We reduced exposure to **GlobalData, JTC, Bytes Technology, 4imprint** and **Diploma** to control the position sizes.

Revenue Account

Revenue earnings per share for the six month period were 5.93p, compared to 6.00p for the comparable period last year. The level of investment income generated from the portfolio was 14.4% lower, due principally to the impact of share buy backs conducted during 2024 which reduce the Company's capital base.

Dividends paid by investee companies were generally in line with expectations. It is worth noting that buy backs have been a feature in the market which has limited the cash that would have been available for dividends.

Outlook

Equity markets have been volatile since the period end, with share-price fluctuations driven by macroeconomic concerns that have ranged from the likely paths for inflation and interest rates, to international trade and the value of Sterling as well as the UK employment market and household expenditure. Policy will be determined by the trajectory of inflation in the coming months as well as the wider growth outlook.

Our investment process has worked well in the current interest rate environment, proving that we do not need interest rates to be at or near zero for quality smaller companies to perform. We saw strong earnings updates in January from a number of companies in the portfolio, accompanied with positive share-price reactions. Earnings resilience and avoiding profit warnings in the portfolio is particularly important against the volatile market backdrop.

The undervaluation of the UK market has been a persistent theme for a number of years, and this remains the case. While UK equities advanced over the course of 2024, they remain undervalued versus history as well as other major markets, providing a foundation on which to build over the course of 2025. Through this uncertainty, we are sticking to our tried and-tested investment process, and backing quality companies that demonstrate earnings momentum and resilience.

Abby Glennie and Amanda Yeaman
abrdn
5 March 2025

Investment Process

abrdn UK Smaller Companies Growth Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the longer term, smaller company returns have outstripped those of their large-cap peers.

Management

The Company's Manager is abrdn Fund Managers Limited ("aFML", the "AIFM" or the "Manager"), a wholly-owned subsidiary of abrdn plc ("abrdn"). Abby Glennie joined the Smaller Companies Team at abrdn in 2016. She was appointed as Co-Manager for the Company in November 2020 and Lead Manager in January 2023. Amanda Yeaman joined the team in 2019 and was appointed as Deputy Manager in January 2023. They are both part of a team focusing on investing in smaller and mid-sized companies.

Investment Philosophy and Process

The Board has identified that abrdn has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 20 years. The investment process adheres to the abrdn Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select high quality smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and moving on from holdings when the investment case no longer stacks up. The investment process takes into account abrdn's Environmental, Social and Governance ("ESG") principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using abrdn's proprietary screening tool, 'the Matrix', to focus research efforts and the stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 12 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitoring the performance and prospects of the portfolio. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

Investment Process

Continued

When building a portfolio of smaller companies, the Investment Manager screens stocks using the Matrix and also considers a number of qualitative factors to help identify the best investment opportunities.

1. Sustainable growth

Consistency of growth provides opportunities for companies to compound growth at attractive rates, aligning with strong earnings and dividend growth. This also helps reduce potential volatility.

2. Quality

The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts, and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. The Investment Manager will typically avoid companies with high or unsustainable levels of debt.

3. Buy for the long term

Identify the great companies of tomorrow and then hold them for the long term. This reduces the financial drag of high trading volumes.

4. Concentrate the effort

The Matrix helps identify the likely candidates for inclusion in the portfolio and reduces the risk that effort is spent on stocks that will not fulfil the criteria for inclusion within the portfolio.

5. Management longevity

Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs, are a positive signal.

6. Valuation is secondary

Whilst not the primary basis of investment recommendations, valuation is considered in all investments and is embedded within the Matrix.

Ten Largest Investments

As at 31 December 2024

Morgan Sindall

A UK based construction and regeneration company.

XPS Pensions

A leading UK consulting and administration business, specialising in the pensions and insurance sectors.

JTC

A global professional service business, with a focus on fund, corporate and private client services, including fund administration.

Cranswick

A high-quality, vertically-integrated pork and chicken products company operating in the UK.

Cairn Homes

An Ireland-based homebuilder company, which is engaged in constructing new homes with an emphasis on design and customer service.

Hilton Food

Builds and operates large scale, highly automated food processing, manufacturing and logistics services for leading retail and food services customers.

AJ Bell

A UK based company providing online investment platforms and stockbroker services.

Hill & Smith

A business involved in the design, manufacture and supply of products for the construction and infrastructure industries.

Coats

A UK based company providing thread manufacturing and structural components for apparel and footwear.

Paragon Banking

A UK based company that provides specialist banking services.

Investment Portfolio

At 31 December 2024

Company	Industry	Market value £'000	Total assets %
Morgan Sindall	Construction and Materials	20,672	4.8
XPS Pensions	Investment Banking and Brokerage Services	17,103	4.0
JTC	Investment Banking and Brokerage Services	15,224	3.5
Cranswick	Food Producers	15,130	3.5
Cairn Homes	Household Goods and Home Construction	13,613	3.2
Hilton Food	Food Producers	13,289	3.1
AJ Bell	Investment Banking and Brokerage Services	12,662	3.0
Hill & Smith	Industrial Metals and Mining	12,659	3.0
Coats	General Industrials	12,506	2.9
Paragon Banking	Finance and Credit Services	12,184	2.8
Top ten investments		**145,042**	**33.8**
Gamma Communications	Telecommunications Service Providers	12,137	2.8
Jet2	Travel and Leisure	11,838	2.8
Ashtead Technology	Oil, Gas and Coal	11,215	2.6
Volution	Construction and Materials	10,960	2.6
Premier Foods	Food Producers	10,957	2.6
Alpha Group	Investment Banking and Brokerage Services	10,787	2.5
Diploma	Industrial Support Services	10,455	2.4
Games Workshop	Leisure Goods	10,099	2.4
Tatton Asset Management	Investment Banking and Brokerage Services	9,736	2.3
Hollywood Bowl	Travel and Leisure	9,606	2.2
Top twenty investments		**252,832**	**59.0**
Sirius Real Estate	Real Estate Investment Trusts	8,802	2.1
Trustpilot	Software and Computer Services	8,520	2.0
Mortgage Advice Bureau	Finance and Credit Services	8,338	1.9
Hunting	Oil, Gas and Coal	8,325	1.9
Johnson Service	Industrial Support Services	8,132	1.9
4imprint	Media	7,834	1.8
ME Group	Leisure Goods	6,884	1.6
Craneware	Health Care Providers	6,673	1.6
Clarkson	Industrial Transportation	6,550	1.5
GlobalData	Media	6,495	1.5
Top thirty investments		**329,385**	**76.8**

At 31 December 2024

Company	Industry	Market value £'000	Total assets %
Raspberry Pi	Technology Hardware and Equipment	6,417	1.5
Telecom Plus	Telecommunications Service Providers	6,337	1.5
discoverIE	Electronic and Electrical Equipment	5,909	1.3
Chemring	Aerospace and Defense	5,781	1.3
Savills	Real Estate Investment and Services	5,510	1.3
CVS	Consumer Services	5,176	1.2
Bytes Technology	Software and Computer Services	5,094	1.2
Auction Technology	Software and Computer Services	5,085	1.2
Boku	Industrial Support Services	5,044	1.2
Applied Nutrition	Food Producers	4,993	1.2
Top forty investments		**384,731**	**89.7**
Renew Holdings	Construction and Materials	4,282	1.0
Volex	Electronic and Electrical Equipment	4,237	1.0
Breedon	Construction and Materials	4,216	1.0
Treatt	Chemicals	4,119	1.0
LBG Media	Media	3,985	0.9
Bloomsbury Publishing	Media	3,624	0.8
Next 15	Media	3,599	0.8
Ricardo	Construction and Materials	2,844	0.7
Avon Technologies	Aerospace and Defense	779	0.2
Total portfolio		**416,416**	**97.1**
Net current assets[A]		12,490	2.9
Total assets		**428,906**	**100.0**

[A] Current assets less current liabilities. Excludes bank loans of £39,978,000.

Investment Case Study

Gamma Communications

Gamma Communications is a value-add provider of mainly cloud communication services to businesses of all sizes. Since the Investment Manager initiated the position at the time of the Initial Public Offering ("IPO") nine years ago, Gamma has evolved from providing purely Wholesale Line Rental ("WLR") to Voice-over-IP ("VoIP") services to an ever-growing portfolio of cloud communication services. It now offers a comprehensive suite of products that facilitate collaboration, communications, and customer experience services to businesses from micro companies to large multinational enterprises. Unlike both traditional telecom companies or even peers with the most comparable business models, Gamma has grown to a £1.5 billion market capitalisation company without incurring any debt, instead self-funding through its highly recurring and cash-generative model. Gross margins are high and stable, and the balance sheet is strong. The business continues to broaden out to add value to both its distribution and product partners and is run by an accomplished and commercially-aggressive team. The growth opportunity remains intact and the Investment Manager expects Gamma to keep growing at a good pace by serving businesses of all sizes with cloud communication (and adjacent) services, which they need to be more efficient and competitive, whatever the macro backdrop. Gamma's shares may look expensive on the surface (trading on around 17x FY25 adjusted P/E for a five-year adjusted EPS CAGR of only 7%), but this does not capture the double-digit earnings accretion potential as the company continues to use its under-levered balance sheet for earnings-accretive bolt-on Mergers and Acquisitions ("M&A"). The company has announced its intention to move its listing from AIM to the London Stock Exchange's Main Market in mid-2025, a move that will serve to further enhance the company's reputation and support market penetration as Gamma continues to grow in different jurisdictions.

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 December 2024			Six months ended 31 December 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments held at fair value		**–**	**3,044**	**3,044**	–	19,511	19,511
Income	2	**5,378**	**–**	**5,378**	6,223	–	6,223
Investment management fee		**(347)**	**(1,042)**	**(1,389)**	(354)	(1,063)	(1,417)
Administrative expenses		**(398)**	**–**	**(398)**	(510)	–	(510)
Net return before finance costs and taxation		**4,633**	**2,002**	**6,635**	5,359	18,448	23,807
Finance costs		**(321)**	**(963)**	**(1,284)**	(267)	(663)	(930)
Return before taxation		**4,312**	**1,039**	**5,351**	5,092	17,785	22,877
Taxation	3	**–**	**–**	**–**	–	–	–
Return after taxation		**4,312**	**1,039**	**5,351**	5,092	17,785	22,877
Return per Ordinary share (pence)	5	**5.93**	**1.43**	**7.36**	6.00	20.93	26.93

The total column of the condensed Statement of Comprehensive Income represents the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Financial Position (unaudited)

	Notes	As at 31 December 2024 £'000	As at 30 June 2024 £'000
Non-current assets			
Investments held at fair value through profit or loss		**416,416**	436,689
Current assets			
Debtors		**631**	2,541
Investments in AAA-rated money-market funds		**14,432**	15,627
Cash and short-term deposits		**1**	293
		15,064	18,461
Current liabilities			
Creditors: amounts falling due within one year		**(2,574)**	(2,097)
Bank loan	8	**(39,978)**	(39,964)
		(42,552)	(42,061)
Net current liabilities		**(27,488)**	(23,600)
Net assets		**388,928**	413,089
Capital and reserves			
Called-up share capital		**26,041**	26,041
Share premium account		**170,146**	170,146
Capital reserve		**180,905**	203,375
Revenue reserve		**11,836**	13,527
Equity shareholders' funds		**388,928**	413,089
Net asset value per Ordinary share (pence)	7	**558.70**	556.19

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 December 2024

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2024	26,041	170,146	203,375	13,527	413,089
Return after taxation	–	–	1,039	4,312	5,351
Buyback of shares into Treasury	–	–	(23,509)	–	(23,509)
Dividends paid (see note 4)	–	–	–	(6,003)	(6,003)
Balance at 31 December 2024	26,041	170,146	180,905	11,836	388,928

Six months ended 31 December 2023

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2023	26,041	170,146	217,927	12,473	426,587
Return after taxation	–	–	17,785	5,092	22,877
Buyback of shares into Treasury	–	–	(29,579)	–	(29,579)
Dividends paid (see note 4)	–	–	–	(6,711)	(6,711)
Balance at 31 December 2023	26,041	170,146	206,133	10,854	413,174

The capital reserve at 31 December 2024 is split between realised of £97,624,000 and unrealised of £83,281,000 (31 December 2023 – realised £134,329,000 and unrealised £71,804,000).

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 December 2024 £'000	Six months ended 31 December 2023 £'000
Operating activities		
Net return before finance costs and taxation	**6,635**	23,807
Adjustment for:		
Gains on investments	**(3,044)**	(19,511)
Decrease in accrued income	**439**	846
Increase in other debtors	**(4)**	(7)
Decrease in other creditors	**(56)**	(354)
Net cash inflow from operating activities	**3,970**	4,781
Investing activities		
Purchases of investments	**(64,626)**	(66,559)
Sales of investments	**89,915**	101,676
Purchases of AAA-rated money-market funds	**(53,386)**	(67,314)
Sales of AAA-rated money-market funds	**54,581**	64,594
Net cash inflow from investing activities	**26,484**	32,397
Financing activities		
Interest paid	**(1,308)**	(888)
Equity dividends paid	**(6,003)**	(6,711)
Buyback of shares	**(23,435)**	(29,579)
Net cash outflow from financing activities	**(30,746)**	(37,178)
Decrease in cash and short-term deposits	**(292)**	–
Analysis of changes in cash during the period		
Opening cash and short-term deposits	**293**	294
Decrease in cash and short-term deposits as above	**(292)**	–
Closing cash and short-term deposits	**1**	294

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

For the period ended 31 December 2024

1. Accounting policies

Basis of accounting. The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in July 2023. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The half-yearly financial statements have been prepared using the same accounting policies as the preceding annual accounts.

2. Income

	Six months ended 31 December 2024 £'000	Six months ended 31 December 2023 £'000
Income from investments		
UK dividend income	4,237	4,915
Property income distributions	286	98
Overseas dividend income	278	560
Special dividends	155	214
	4,956	5,787
Interest income		
Interest from AAA-rated money-market funds	422	427
Bank interest	-	9
	422	436
Total income	5,378	6,223

3. Taxation

The taxation expense reflected in the Condensed Statement of Comprehensive Income is based on management's best estimate of the weighted annual corporation tax rate expected for the full financial year. The estimated annual tax rate used for the year to 30 June 2025 is 25%.

4. Ordinary dividend on equity shares

	Six months ended 31 December 2024 £'000	Six months ended 31 December 2023 £'000
2024 final dividend of 8.30p per share (2023 - 8.00p)	6,003	6,711

Notes to the Financial Statements

Continued

5. Return per share

	Six months ended 31 December 2024 p	Six months ended 31 December 2023 p
Revenue return	**5.93**	6.00
Capital return	**1.43**	20.93
Total return	**7.36**	26.93
Weighted average number of Ordinary shares	**72,666,094**	84,942,293

The figures above are based on the following:

	Six months ended 31 December 2024 £'000	Six months ended 31 December 2023 £'000
Revenue return	**4,312**	5,092
Capital return	**1,039**	17,785
Total return	**5,351**	22,877

6. Transaction costs

During the period, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 31 December 2024 £'000	Six months ended 31 December 2023 £'000
Purchases	**315**	237
Sales	**61**	65
	376	302

7. Net asset value per share

Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Condensed Statement of Financial Position reflects the rights, under the Articles of Association, of the Ordinary shareholders on a return of assets.

These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary shareholders at the period end.

	As at 31 December 2024	As at 30 June 2024
Total shareholders' funds (£'000)	**388,928**	413,089
Number of Ordinary shares in issue at the period end[A]	**69,613,014**	74,270,535
Net asset value per share (pence)	**558.70**	556.19

[A] Excluding shares held in treasury.

During the six months ended 31 December 2024 the Company repurchased 4,657,521 Ordinary shares to be held in treasury (31 December 2023 – 7,148,645) at a cost of £23,509,000 (31 December 2023 – £29,579,000).

As at 31 December 2024 there were 69,613,014 Ordinary shares in issue (30 June 2024 – 74,270,535). There were also 34,551,408 Ordinary shares (30 June 2024 – 29,893,887) held in treasury.

8. Loans

On 2 November 2022, the Company entered into a new three year revolving credit facility of £40 million (the "RCF") with The Royal Bank of Scotland International Limited. The RCF has a further uncommitted accordion provision allowing the Company to request an increase, subject to lender's approval, of up to an additional £25 million. At 31 December 2024 £40 million was drawn down under the RCF at an interest rate of 6.25%.

The RCF is shown in the Condensed Statement of Financial Position net of unamortised expenses of £22,000 (30 June 2024 – £36,000).

The terms of the RCF contain covenants that the Consolidated Net Tangible Assets as defined in the agreement must not be less than £200 million, the percentage of borrowings against the Adjusted Portfolio Value as defined in the agreement shall not exceed 30%, and the portfolio contains a minimum of thirty eligible investments (investments made in accordance with the Company's investment policy). The Company complied with all covenants throughout the year.

Notes to the Financial Statements

Continued

9. Analysis of changes in net debt

	At 30 June 2024 £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2024 £'000
Cash and short-term deposits	293	(292)	-	1
Investments in AAA-rated money-market funds	15,627	(1,195)	-	14,432
Debt due in less than one year	(39,964)	-	(14)	(39,978)
Total net debt	(24,044)	(1,487)	(14)	(25,545)

	At 30 June 2023 £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2023 £'000
Cash and short-term deposits	294	-	-	294
Investments in AAA-rated money-market funds	14,129	2,719	-	16,848
Debt due in less than one year	(24,938)	-	(13)	(24,951)
Total net debt	(10,515)	2,719	(13)	(7,809)

10. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (30 June 2024 - same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (31 December 2024 - £416,416,000; 30 June 2024 - £436,689,000) have therefore been deemed as Level 1.

The investment in AAA rated money-market funds of £14,432,000 (30 June 2024 - £15,627,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

11. Transactions with the Manager

The Company has an agreement with abrdn Fund Managers Limited ("aFML") for the provision of investment management, secretarial, accounting and administration and promotional activity services. The Company agreed a new managament fee charged on net assets (total assets less total liabilities), effective as of 1 July 2023. During the six months ended 31 December 2024 the management fee paid to aFML was charged by applying a tiered rate of 0.75% to the first £175 million of net assets, 0.65% of net assets between £175 million and £550 million and 0.55% of net assets above £550 million. The contract is terminable by either party on six months' notice.

During the period £1,389,000 (31 December 2023 – £1,417,000) of investment management fees were earned by aFML, with a balance of £676,000 (31 December 2023 – £1,417,000) due at the period end.

The Company also had an agreement with aFML for the provision of secretarial services. It was agreed between the Company and the Manager that payment under this agreement for secretarial services would cease with effect from 1 January 2024. During the period, fees of £nil (31 December 2023 – £37,000) exclusive of VAT were earned by aFML for the provision of secretarial and administration services. The balance due to aFML at the period end was £nil (31 December 2023 – £94,000) exclusive of VAT.

The Manager also receives a separate promotional activities fee which during the period was based on an annual amount of £206,000 exclusive of VAT payable quarterly in arrears. During the period, a fee of £103,000 (31 December 2023 – £109,000) exclusive of VAT was payable to the Manager, with a balance of £51,500 (31 December 2023 – £55,000) exclusive of VAT being due at the period end.

12. Subsequent events

Subsequent to the period end, up to the date of approval of this Report, the Company repurchased a further 3,445,984 Ordinary shares to be held in treasury at a cost of £17,311,000.

13. Half-Yearly Financial Report

The financial information in this Report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 June 2024 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. The half-yearly financial statements have been prepared using the same accounting policies as the preceding annual accounts.

14. This Half-Yearly Financial Report was approved by the Board on 5 March 2025.

Alternative Performance Measures

Alternative performance measures ("APMs") 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 FRS 102 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. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Discount

A discount is the percentage by which the market price is lower than the Net Asset Value ("NAV") per share.

		31 December 2024	30 June 2024
Share price	a	**502.00p**	486.50p
Net Asset Value per share	b	**558.70p**	556.19p
Discount	(a/b)-1	**10.1%**	12.5%

Net gearing

Net gearing measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

		31 December 2024 £'000	30 June 2024 £'000
Total borrowings	a	**(39,978)**	(39,964)
Cash and short-term deposits		**1**	293
Investments in AAA-rated money-market funds		**14,432**	15,627
Amounts due from brokers		**–**	–
Amounts payable to brokers		**–**	–
Total cash and cash equivalents	b	**14,433**	15,920
Net gearing (borrowings less cash & cash equivalents)	c=a+b	**(25,545)**	(24,044)
Shareholders' funds	d	**388,928**	413,089
Net gearing (borrowings less cash & cash equivalents)	e=c/d	**6.6%**	5.8%

Ongoing charges ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average daily net asset values published throughout the year. The ratio reported at 31 December 2024 includes actual costs and charges for the six months and includes a forecast for costs, charges and the asset base for the remaining six months of the financial year ending 30 June 2025.

		31 December 2024[A] £'000	30 June 2024[B] £'000
Investment management fees	a	**2,755**	2,817
Administrative expenses	b	**789**	876
Less: non-recurring charges[C]	c	**(5)**	(5)
Ongoing charges	d=a+b+c	**3,539**	3,688
Average net assets	e	**413,819**	402,438
Ongoing charges ratio (excluding look-through costs)	f=d/e	**0.86%**	0.92%
Look-through costs[D]	g	**–**	–
Ongoing charges ratio (including look-through costs)	h=f+g	**0.86%**	0.92%

[A] Forecast for the year ending 30 June 2025 based on estimates as at 31 December 2024.
[B] For the year ended 30 June 2024.
[C] Comprises professional fees not expected to recur.
[D] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

Total return

NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return assumes reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return assumes reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

Six months ended 31 December 2024		NAV	Share price
Opening (p)	a	**556.19**	486.50
Closing (p)	b	**558.70**	502.00
Increase (p)	c=b-a	**2.51**	15.50
% increase	d=c/a	**0.5%**	3.2%
Uplift from reinvestment of dividends[A]	e	**1.4%**	1.7%
Total return increase	d+e	**1.9%**	4.9%

[A] The uplift from reinvestment of dividends assumes that the dividend of 8.30p paid by the Company in November 2024 was reinvested in the NAV and share price of the Company on the ex-dividend date.

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed abrdn Fund Managers Limited as its Alternative Investment Fund Manager and BNP Paribas SA, London Branch as its Depositary under the AIFMD.

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **abrdnuksmallercompaniesgrowthtrust.co.uk.**

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

abrdn has been contacted by investors informing it that it has received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for abrdn or for third party firms. abrdn has also been notified of emails claiming that certain investment companies under its 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 abrdn and any third party making such offers/claims has no link with abrdn.

abrdn 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 and end the call.

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

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrar (see Contact Addresses). Changes of address must be notified to the Registrar in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: **uksmallercompaniesgrowth@abrdn.com.**

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

Alternatively, for private investors, there are a number of online dealing platforms that offer share dealing, ISAs and other means to invest in the Company. 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.

Investors can, using certain platforms, arrange to have dividends reinvested or establish regular savings to invest in the shares of the Company. This can also be done under the auspices of an ISA which provides tax efficiencies for private investors in the treatment of income and capital gains.

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 and Financial Advice Association at: **pimfa.co.uk**.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk.**

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority at: **fca.org.uk/firms/financial-services-register.**

How to Attend and Vote at Company Meetings

Investors who hold their shares through a platform or share plan provider (for example Hargreaves Lansdown, Interactive Investor or AJ Bell) and would like to attend and vote at Company meetings (including AGMs) should contact their platform or share plan provider directly to make arrangements.

Investors who hold their shares through platforms and have their shares held through platform nominees, may not necessarily receive notification of general meetings and are advised to keep themselves informed of Company business by referring to the Company's website. Where voting is required, and the Board encourages shareholders to vote at all general meetings of the Company, shareholders with their holdings in nominees will need to instruct the nominee to vote on their behalf and should do so in good time before the meetings.

Keeping You Informed

Information about the Company can be found on its website: **abrdnuksmallercompaniesgrowthtrust.co.uk,** including share price and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager. **Investors can receive updates via email by registering on the home page of the Company's website.**

Details are also available at: **invtrusts.co.uk.**

Twitter:

@abrdnTrusts

LinkedIn:

abrdn Investment Trusts

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 long-term capital growth by investment in UK-quoted smaller companies, 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 its securities can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority'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 Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

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 trust shares purchased will immediately be reduced by the difference between the buying and selling prices of the shares, known as 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 information on pages 28 to 29 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 abrdn Investments Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

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