

abrdn UK Smaller Companies Fund



31 December 2023

Performance

The Fund underperformed the benchmark over the quarter. Our holding in power control system manufacturer XP Power was negative as the company was forced to lower its profit forecast in October. We sold out of the firm as a result (see below). Shares in 4Imprint Group responded negatively to indications from the management team that demand was weakening, although the long-term outlook remains positive. Software firm Marlowe lagged the market after the company published results that came in below expectations, while payments company Boku also underperformed. On the positive side, the Fund benefited from holding Smart Metering Systems after the firm's board recommended a cash takeover offer from private-equity company KKR. YouGov stock advanced following the publication of in-line full-year results for 2023 and a reassuring outlook for 2024, and Ashtead Technology shares continued to rise on the back of an impressive trading update at the end of the third quarter. Finally, the holding in Paragon Banking Group added to returns as the prospect of lower interest rates drove improvement in sentiment related to the buy-to-let market, while the company's most recent trading results demonstrated resilience.

Activity

The Fund took a new position in Johnson Service Group, a textile rental and related services business that has higher organic growth and margins than its peers. The firm's investment strategy has helped to widen its competitive advantage. We also introduced Premier Foods, a business that has made considerable progress in the last five years in reducing debt, resolving its pension issues and, importantly, generating consistent growth from its brands. Recent momentum should also be sustained by its well-defined domestic and international opportunities, as well as the firm's record in innovation and execution. We added to the holdings in a number of firms, including Hunting, Volex and XPS Pensions Group, and trimmed positions in DiscoverIE Group, Ricardo, Hollywood Bowl Group, Kainos Group and JTC, among others. Finally, we exited the holding in FDM Group following a disappointing meeting in which the company's management team seemed unclear as to why the trading environment had been so challenging in 2023. We also sold out of several other businesses including XP Power (see above), Kin and Carta, Future and Team17.

Risk factors you should consider before investing:

- a. The value of an investment can fall as well as rise and is not guaranteed. An investor may get back less than they put in. Past Performance is not a guide to future performance.
- b. A concentrated portfolio may be more volatile and less liquid than a more broadly diversified one. The fund's investments are concentrated in a particular country or sector.
- c. The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses. The fund does not make extensive use of derivatives.
- d. The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- e. The shares of small and mid-cap companies may be less liquid and more volatile than those of larger companies.



Cumulative and Annualised performance as at 31/12/2023

	3 Months %	1 Year %	3 Years (p.a.) %	5 Years (p.a.) %
abrdrn UK Smaller Companies Fund	7.9	-0.2	-6.3	4.3

Discrete annual performance year to 31/12

	2023	2022	2021	2020	2019
abrdrn UK Smaller Companies Fund	-0.2	-38.2	33.4	-1.6	52.5

Fund performance has been calculated net of Annual Management Charge.

Source: abrdrn

Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

This investment may be affected by changes in currency exchange rates.

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abrdrn UK Smaller Companies Fund is a Unit Linked Insured fund. The fund invests in the abrdrn UK Smaller Companies Fund.

*abrdrn means the relevant member of abrdrn group, being abrdrn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

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