

# Standard Life European Smaller Companies Fund



31 March 2022

## Activity

We exited a small position in France-listed nursing home operator Orpea following a review of the holding. The company had been subject to a number of allegations that resulted in the departure of the CEO. Considerable damage has been done to Orpea's reputation, which will impact occupancy levels and growth.

We started a position in France-listed liquefied natural gas (LNG) design business GTT. It is the global market leader in the design and engineering of LNG carriers, with 80% market share. GTT's technology is patented and very difficult to replicate, and contracts are sticky, hence barriers to entry are high. The company's growth is primarily driven by long-term demand for LNG as a sustainable fuel source (favourable CO2 emissions versus other fossil fuels). We believe dependency on Russian energy will reduce in the near

to medium term, providing further upside to orders. Additional catalysts include the use of LNG as a fuel and monetisation of GTT's hydrogen business. The company has received an 'A' MSCI ESG score.

## 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. The fund invests in equities 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.
- c. The fund may invest in equities and equity related securities in European emerging markets. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- d. The shares of smaller companies may be less liquid and more volatile than those of larger companies.
- e. 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.
- f. A concentrated portfolio may be more volatile than a more broadly diversified one.



**Cumulative and Annualised performance as at 31/03/2022**

	3 Months %	1 Year %	3 Years (p.a.) %	5 Years (p.a.) %
Standard Life European Smaller Companies Fund	-19.1	1.5	12.5	10.7

**Discrete annual performance year to 31/03**

	2022	2021	2020	2019	2018
Standard Life European Smaller Companies Fund	1.5	66.0	-15.5	2.1	14.5

Fund performance has been calculated net of Annual Management Charge.

Source: abrdn

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.

**Performance**

The Fund underperformed over the quarter. Our holding in Sweden-listed manufacturer Troax was relatively weak over the period due to profit taking following a very solid performance in 2021. The business continues to trade strongly benefiting from the trend towards automated warehousing as demand for protection products increases. We retain our holding.

The holding in Switzerland-listed Bachem, a manufacturer of peptide pharmaceuticals, was also relatively weak over the period. It was subject to profit taking following a period of strong performance last year. The business remains well positioned to grow strongly both in the core peptide business and the newer oligonucleotide business which, in our view, has the potential to be as big as the current peptide business over the medium term.

Our holding in Switzerland-listed wire processing company Komax performed well following a positive trading update which indicated strong order momentum. The business is benefiting from increased investment in electric vehicle development from original equipment manufacturers as the market moves away from internal combustion vehicles. We retain our holding.

Our holding in UK construction company Morgan Sindall performed well following an encouraging set of full-year numbers. The results highlighted the success of its relatively risk-averse strategy to improve the quality of earnings. The company issued new medium-term targets which were well received by the market.

**Investment involves risk. 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. Past performance is not a guide to future results. This investment may be affected by changes in currency exchange rates.**

The information contained in this marketing document should not be considered as an offer, investment recommendation or solicitation, to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. No information, opinions or data in this document constitute investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision.

Standard Life European Smaller Companies Fund is a Unit Linked Insured Fund. The fund is invested in the Aberdeen Standard Investments European Smaller Companies Fund.

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

Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No.B120637. Authorised in Luxembourg and regulated by CSSF. Standard Life Investments Global SICAV is an umbrella type investment company with variable capital registered in Luxembourg (no. B78797) at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

www.abrdn.com © 2022 abrdn plc.

