Standard Life UK Smaller Companies Trust plc

Capturing the growth potential of UK smaller companies

Half Yearly Report
31 December 2020

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 Numis Smaller Companies plus AIM (ex investment companies) Index.

Visit our Website

To find out more about Standard Life UK Smaller Companies Trust plc, please visit:
standardlifeuksmallercompaniestrust.co.uk

"In "normal" markets a return of over 20% in six months would be exceptional, but in the context of the impact of Covid-19 on equity markets in the first quarter of 2020, the performance is typical of a recovery from a market shock."

**Liz Airey,
Chairman**

"The net asset value total return for the Company for the period to 31 December 2020 was 22.1%, while the share price total return was 32.4%."

**Harry Nimmo and Abby Glennie,
Aberdeen Standard Investments**

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Net asset value total return per Ordinary Share[A]
Six months ended 31 December 2020
+22.1%
Year ended 30 June 2020 –0.5%

Share price total return per Ordinary Share[A]
Six months ended 31 December 2020
+32.4%
Year ended 30 June 2020 –0.1%

Reference Index total return
Six months ended 31 December 2020
+30.8%
Year ended 30 June 2020 –10.7%

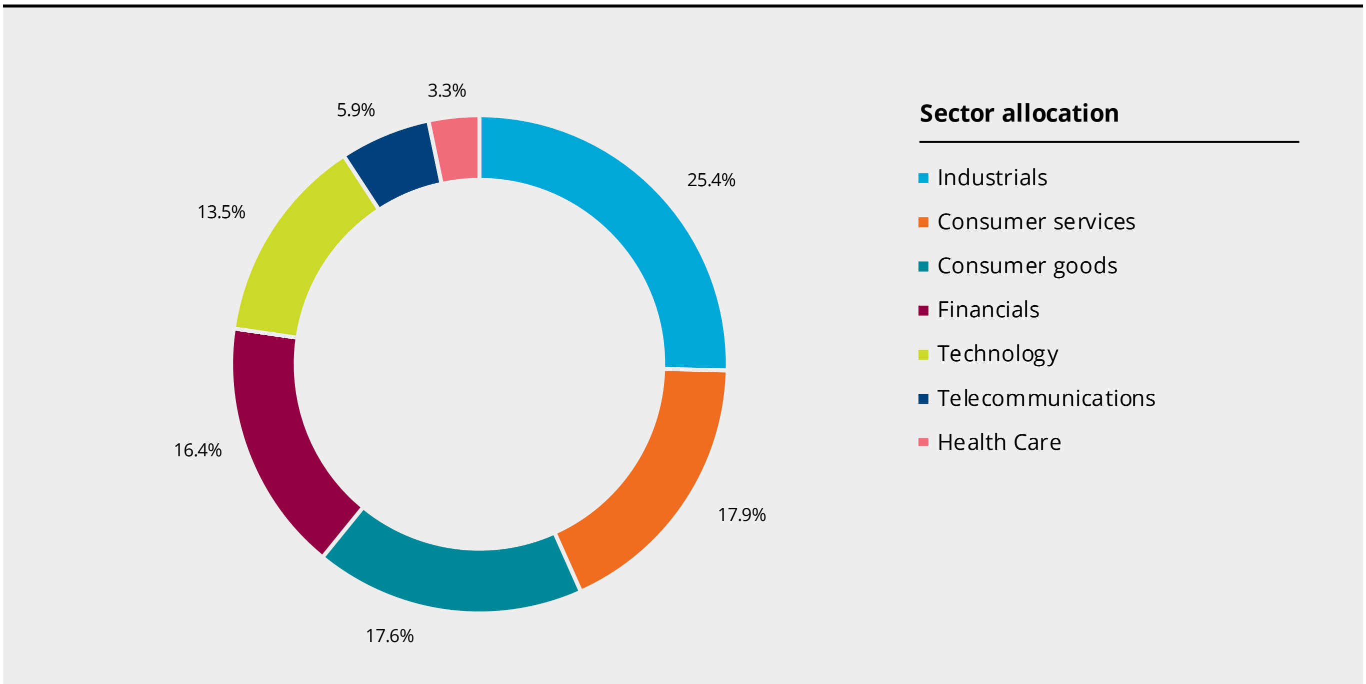
Discount to net asset value[A]
As at 31 December 2020
1.0%
As at 30 June 2020 8.7%

Revenue return per Ordinary Share
Six months ended 31 December 2020
3.41p
Six months ended 31 December 2019 4.62p

Ongoing charges ratio[A]
Forecast year ending 30 June 2021
0.87%
Year ended 30 June 2020 0.88%

[A] Considered to be an Alternative Performance Measure as defined on pages 27 and 28.

Investment Portfolio by Sector



"The Board is declaring an interim dividend of 2.70p per share (2019: 2.70p per share) and this will be paid on 9 April 2021 to shareholders on the register on 12 March 2021 with an associated ex-dividend date of 11 March 2021."

Liz Airey,
Chairman

Financial Calendar

9 April 2021	Payment of interim dividend for the year ending 30 June 2021
30 June 2021	Financial year end
September 2021	Announcement of results for year ending 30 June 2021
21 October 2021	Annual General Meeting
29 October 2021	Payment of final dividend for the year ending 30 June 2021

Financial Highlights

Capital return	31 December 2020	30 June 2020	% change
Total assets[A]	£659.4m	£553.0m	+19.2%
Equity shareholders' funds	£634.4m	£528.1m	+20.1%
Market capitalisation	£628.0m	£482.3m	+30.2%
Net asset value per Ordinary Share[B]	638.46p	527.73p	+21.0%
Share price per Ordinary Share	632.00p	482.00p	+31.1%
Discount of Ordinary Share price to net asset value[C]	1.0%	8.7%	
Reference Index	6,039.99	4,653.87	+29.8%
Revenue return per Ordinary Share[D]	3.41p	4.62p	–26.2%
Interim dividend per Ordinary Share	2.70p	2.70p	–
Net (gearing)/cash[C]	(3.4)%	0.3%	
Ongoing charges ratio[C]	0.87%[E]	0.88%	

[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 27 and 28.
[D] Figure for 31 December 2020 is for the six months to that date. Figure for 30 June 2020 is for the six months to 31 December 2019.
[E] The ongoing charges ratio for the current year includes a forecast of costs, charges and net assets for the six months to 30 June 2021.

Chairman's Statement

Performance

The Company's net asset value ("NAV") total return was 22.1% for the six months to 31 December 2020, while the share price total return was 32.4%. This compares with a total return of 30.8% for the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index (the "Reference Index").

I will not be the first or last Chairman to state that 2020 was an extraordinary year for their Company. In "normal" markets a return of over 20% in six months would be exceptional, but in the context of the impact of Covid-19 on equity markets in the first quarter of 2020, the performance is typical of a recovery from a market shock and the NAV per share ended the year a modest 1.9% higher than it was 12 months previously.

Despite the strong performance in the six month period in absolute terms, we need to recognise that the NAV has not performed as well as the Reference Index. The Portfolio Managers have been consistent in explaining that, while the investment process has a proven track record of outperformance relative to the Reference Index over the long term, the process typically struggles to keep pace with the index during a recovery phase. It was the relative performance in November and December that led to the NAV lagging the return on the index over the past six months. The Portfolio Managers are confident that this phase will pass and the benefits of the investment process will prevail. The Board agrees with this conclusion.

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

Earnings and Dividends

The revenue return per share for the six months to 31 December 2020 decreased by 26.2% to 3.41p (2019 – 4.62p), with underlying dividends per share from investee companies falling by 20.5% compared to the same period last year. The decline in the revenue return is again a consequence of the impact that Covid-19 has had on the profitability of UK companies.

The decline in the Company's earnings has a potential impact on the dividend paid to shareholders. Although some companies have reinstated dividends, the long-term effects of the pandemic on the ability of companies to pay dividends remains to be seen. The Board is conscious that the Company paid a partly uncovered dividend during the financial year ended 30 June 2020, but it is also conscious of the level of revenue reserves which are available to smooth dividends when the need arises. The Board has concluded that, while the Company is not seen by the market as an income trust, many shareholders appreciate the dividend that the Company has delivered. As a consequence the Board is declaring an interim dividend of 2.70p per share (2019: 2.70p per share) and this will be paid on 9 April 2021 to shareholders on the register on 12 March 2021 with an associated ex-dividend date of 11 March 2021. The Board will continue to monitor the pace of the recovery of the revenue account from the impact of Covid and will take that into consideration when it comes to determining the level of the final dividend.

Total returns to 31 December 2020	6 months %	1 year %	3 years %	5 years %	10 years %
NAV[A]	+22.1	+3.4	+30.0	+80.5	+256.3
Share price[A]	+32.4	+0.6	+33.1	+78.6	+249.5
Reference Index[B]	+30.8	+4.9	+7.9	+43.2	+151.3
Peer Group weighted average (NAV)	+28.3	-0.5	+13.7	+53.3	+191.6
Peer Group weighted average (share price)	+37.0	+1.1	+21.4	+54.5	+229.4

[A] Considered to be an Alternative Performance Measure.
[B] Numis Smaller Companies plus AIM (ex investment companies) Index, prior to 1 January 2018 Numis Smaller Companies (ex investment companies) Index.
Source: Thomson Reuters Datastream

Gearing

The Board has given the Portfolio Managers discretion to vary the level of gearing between a net cash position of 5% and net gearing of 25% of net assets. During the period, the Company had drawn down borrowings of £25 million in the form of its 2.349% fixed rate loan. Net of cash, gearing at the end of the period was 3.4% (30 June 2020: net cash 0.3%). Since the end of the period, the Company has drawn its £20 million revolving credit facility as the Portfolio Managers' outlook became more positive due to the nature of the trade deal agreed with the EU and the prospect that vaccines would help to deliver a route out of the pandemic.

> The Company continues to operate a discount control mechanism which targets a maximum discount of the share price to the cum-income NAV of 8% under normal market conditions.

Discount Control and Share Buy Backs

At 31 December 2020 the Company's shares were trading at a discount of 1.0% to its NAV per share. This was similar to the position at the end of 2019 and considerably narrower than the level at which the shares traded during most of 2020. The Company continues to operate a discount control mechanism which targets a maximum discount of the share price to the cum-income NAV of 8% under normal market conditions. At times during the period the Board felt that the discount did not fairly reflect the long term performance of the Company when compared with close peers and so authorised the buy-back of shares at a lower discount than has historically been the case.

During the period, the Company bought back 697,476 shares (0.70% of the issued share capital) for a cost of £3.9 million and at a weighted average price of 554.04p, which equated to an average discount of 6.1%.

Management Changes

The Board was pleased at the recent announcement that Abby Glennie has been appointed Co-Manager of the Company's portfolio, alongside Harry Nimmo. Abby has been supporting Harry in the management of the portfolio for some time and the Board welcomes this step up to fully recognise her role. The Board considers it very helpful to have a robust succession plan clearly in place.

Management Fees

In addition to the investment management fee, full details of which are included in the Company's Annual Report, the Manager also receives a secretarial and administration fee which was previously capped at £150,000 per annum. During the period, the Board and Manager agreed to reduce the secretarial and administration fee to a fixed amount of £75,000 per annum with effect from 1 January 2021. The lower cost will have a small impact on the Company's level of ongoing charges, but the cost savings are particularly welcome at this time.

Outlook

The last six months has seen progress on a number of the "known unknowns" that were weighing on the minds of investors when we published the annual results. Joe Biden has succeeded Donald Trump as President of the United States, the Brexit agreement has been signed and has started to be implemented and a range of vaccines are starting the mammoth task of tackling the Covid-19 virus.

Collectively these must be seen as a cause for optimism but it would be rash to suggest that we are out of the woods. While we can hope that Mr Biden will be more international in his decision making than his predecessor, adjusting to Brexit and establishing a different working relationship with Europe is going to remain an ongoing challenge. On top of this one has to presume that the path out of lockdown will not be completely smooth and the challenge of rebuilding the economies of the world is not to be underestimated.

> The Manager's "Quality, Growth and Momentum" investment process is focused on stock picking and we are in an environment that is favourable to a stock picking approach.

Having said that, the Manager's "Quality, Growth and Momentum" investment process is focused on stock picking and we are in an environment that is favourable to a stock picking approach. Our Portfolio Managers are looking to identify and invest in those companies and their management teams which have market-leading positions and products that are best positioned to navigate these choppy waters and which should deliver superior returns over the long term. Following this approach does mean that there will be times, such as recently,

Chairman's Statement Continued

when the portfolio does not perform as well as the Reference Index, but the Board is comfortable that this does not indicate that the process is flawed. One of the benefits of having a track record of over 15 years is that we can look back at how the process has performed across the cycle. Past performance, while being no guide to the future, does suggest that the investment process is better suited to "normal market conditions" and specifically does not perform well during the early stages of a market recovery. The Board considers that this is where we are at present and when this phase of the market cycle passes we can hope to see both strong absolute and relative performance. It is an appropriate time to remind shareholders of the need to see an investment in the Company as a long-term decision.

Liz Airey,
Chairman
25 February 2021

Other Matters

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.

The Half Yearly Financial Report for the six months ended 31 December 2020 comprises an Interim Management Report, in the form of the Chairman's Statement and Other Matters, the Investment Manager's Review, Portfolio Information and a condensed set of Financial Statements which has not been reviewed or audited by the Company's auditor.

Principal Risks and Uncertainties

The Board regularly reviews the principal 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 2020 and comprise the following risk categories:

- Strategy
- Investment performance
- Key person risk
- Share price
- Financial instruments
- Financial obligations
- Regulatory
- Operational
- Exogenous risks such as health, social, financial, economic and geopolitical

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 performed stress testing and liquidity analysis.

As at 31 December 2020, the Company had a £45 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a five year revolving credit facility of £20 million.

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, including in current market conditions caused by the Covid-19 pandemic. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year. Accordingly, 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
25 February 2021

Investment Manager's Review

Harry Nimmo and Abby Glennie, Aberdeen Standard Investments

The net asset value total return for the Company for the six month period to 31 December 2020 was 22.1%, while the share price total return was 32.4%. By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies Index plus AIM (excluding investment companies) Index rose by 30.8% on a total return basis. Over the same period, the FTSE 100 Index of the largest UK listed companies delivered a total return of 4.6%. Since we took over the management of the Company on 1 September 2003, the share price total return is 1,620% from then to the current period end compared with the Reference Index's total return of 486%. The FTSE 100 Index's total return was 194% over the same period.

Equity Markets

Market performance during the period in question can be divided into two parts, that of pre and post the announcement of Covid vaccines. Small and midcap indices moved sideways during the summer and autumn but, following the first vaccine announcement on 9 November 2020, accelerated upwards. The growth and technology-heavy AIM index however moved up throughout. Continued ultra-low interest rates across the world combined with monetary stimulus have pushed markets ahead.

UK markets in general have performed less well than many other markets including the technology-heavy Nasdaq index in the USA and Far East markets, where Covid was tackled in a more robust fashion and economies came out the other side more quickly. European markets faired only slightly better with only Spain being behind the UK. Brexit and the fear of a negative out-turn was also unhelpful during most of the period in question.

In the first period, Covid winners led the way with really spectacular stock performances from some of our largest holdings. A second bout of lock-down encouraged this trend. However, since the announcement on 9 November we have witnessed a complete reversal with a dramatic recovery for those worst effected and with most to gain from the potential return of normal conditions in the not too distant future. It has been a classic recovery rally, not unlike the second quarter of 2009 after the trough of the Banking Crisis.

Sector performance was led by the availability of quality growth or where there were actual Covid beneficiaries. These included media, software, pharmaceuticals, IT hardware and leisure goods. Alternative energy through AIM-listed ITM and Ceres Power had spectacular runs. The weaker sectors included oil & gas, travel & leisure, restaurants and traditional retailers. Since 9 November a complete sector rotation caused the exact opposite in terms of market leadership.

Bid activity started to pick up markedly, particularly in the final three months of 2020 with bids for William Hill, Countrywide, IMImobile, McCarthy & Stone, G4S and the AA among others, mainly from private equity funds and opportunist value buyers.

The oil price rose 22% by the end of the year to $52 per barrel while copper was up 30%. Gold peaked in August before drifting towards the year end, leaving it up 7% during the period.

We have always been very clear that the portfolio is positioned to deliver outperformance over the cycle and that there will be periods when it will underperform.

Performance

The investment portfolio rose in value by almost £129 million during the period and much of the increase came in the months before the first vaccines were announced. In normal times, a return of over 20% in six months would be cause for celebration, but we need to put the return in the context of the events prior to the start of the period and the performance of the Reference Index.

We have always been very clear that the portfolio is positioned to deliver outperformance over the cycle and that there will be periods when it will underperform. Over the more than 20 years that we have deployed the investment strategy that we use for the Company, we have seen that, during periods of sharp recovery that typically follow a crisis in the market, the portfolio underperforms for a time as investors focus on companies that have been particularly hard hit during the crisis. These stocks do not normally meet our investment criteria. A recovery rally is one of the worst things for the relative performance of our investment process. Thankfully they occur only rarely and during rising markets of extreme small cap popularity. We are long-term investors and are not timing experts and do not consider it appropriate to attempt to switch into such stocks for a short period. We last saw this in the spring of 2009, following the trough of the financial crisis.

The recovery that we have seen across the world since the first announcement of a vaccine on 9 November looks to be typical of this sort of market behaviour. Prior to the announcement, the portfolio was outperforming the Reference Index but, although it continued to increase in value since the start of November, it has not kept pace with the index.

As ever, our investment process has driven stock selection with new purchases having high Matrix scores and sales either having lower Matrix scores or are stocks which are too big to be described as smaller companies.

Relative performance "pre-vaccine" was good and was driven by some really quite spectacular trading statements, from the likes of **Kainos, Games Workshop, Ergomed, Impax Asset Management, Team17, Gear4Music** and **Focusrite**. However post vaccine, the performance appears 'pedestrian' when compared to the index. This impact was particularly fierce in the week after the announcement of the first vaccine.

Our five leading performers in the period were as follows:-

Kainos (closing weight 4.5%) +0.8% announced that results would be materially ahead of expectations and reinstated the dividend. Government digitalisation of processes continues apace as does Workday installations.

Jet2 (closing weight 2.8%) +0.5%. It is seen as a likely winner in the holiday market when things get back to normal. This extremely well run and well capitalised airline has been ranked Europe's favourite by TripAdvisor.

Ergomed (closing weight 1.6%) +0.5% is a contract research organisation to the pharmaceutical industry that has benefited from Covid business.

Games Workshop (closing weight 4.0%) +0.4% demonstrated that demand has remained robust when it re-opened for business after six weeks of lock down.

Gear4Music (closing weight 1.0%) +0.3% has been helped by Covid. It sells musical instruments on line. It has also recovered from operational setbacks in 2019.

Our five worst performers in the period were as follows:-

Hilton Food Group (closing weight 2.9%) -1.1%. Although this innovative international beef and fish packer has performed well there is the feeling abroad that it will suffer post-Covid when the restaurants are open again.

RWS (closing weight 2.2%) -0.9% has weakened following the share acquisition of SDL. This language translation company was seen as low grade by investors.

Boohoo (position sold during period) -0.9% came unstuck as the press latched on to reports that contractors were running sweatshops and avoiding taxes.

Cranswick (closing weight 2.6%) -0.8%. Like Hilton, this pork products company was seen as exposed to weakness when all the restaurants are open again.

James Fisher (closing weight 0.9%) -0.6%. This marine engineer has seen significant order delay in some of its offshore markets related to wind farms.

Dealing and Activity

As ever, our investment process has driven stock selection with new purchases having high Matrix scores and sales either having lower Matrix scores or are stocks which are too big to be described as smaller companies. Significant additions were made to **Sumo** in video games, **Liontrust,** the fund manager, **Sirius Real Estate**, the German real estate manager, **AJ Bell,** the investment platform, **Ergomed** in drug research, **Focusrite** in techno-music and **Jet2,** the budget airline. Three new holdings were added; those of **Impax Asset Management**, the specialist ESG orientated fund manager, **AO World**, the on-line white goods retailer and **Bytes Technology Group**, the supplier of IT and communications software and hardware.

Significant sales took place in **Greggs, Paypoint, Paragon, Midwich, 4imprint** and **Workspace** over concerns on trading during an extended lock down. Matrix scores were weak here. **Gamma Communications, Games Workshop, Kainos** and **Future** were sold down as the holdings grew towards 5% of the portfolio. **JD Sports** was sold because it has now grown so far that it has become a constituent of the FTSE 100 Index and cannot be considered to be a "small cap" stock. **Boohoo** was sold completely on concerns that the management were not taking seriously enough the work practices of their suppliers.

Investment Manager's Review Continued

The biggest purchases were:-

Bytes Technology Group. A supplier of IT and communications software and hardware across the UK, not dissimilar to Computacenter. Its track record is strong. It is a new issue.

Impax Asset Management. A specialist ESG manager for 25 years delivering good performance as it strives for a more sustainable global economy. This has led to strong net flows.

AO World was purchased as its Matrix score moved up. The company is trading well and gaining headwind in Germany. It is now being actively courted by suppliers, leading to better pricing terms.

Ergomed. Significant follow-on purchases were made in this manager of drug trials. Indeed the company has announced strong trading and significant earnings upgrades.

Liontrust Asset Management. Adding to the position as the fund manager continues to see strong net inflows.

Sector Exposure

All investments are driven by stock selection and as a consequence sector exposure is a by-product of these decisions. Our leading sectors are software, leisure goods, support services, media, food manufacturers, real estate, telecoms and financials. Leisure goods, media and financials saw the biggest increases. Leisure goods has benefitted from activities that keep the youngsters amused at home such as computer and hobby games and techno-music through holdings such as **Team17**, **Sumo, Games Workshop** and **Focusrite.** This area is liable to see further growth as global franchises and technology continue to develop as lock downs ease.

The Company holds no materials, oil & gas, household goods and home construction and remains underweight in healthcare and retailers.

Gearing

At the end of the period gearing stood at 3.4%. Gearing was increased in the final quarter of the calendar year reflecting our positive view on smaller companies. Since the period end, the £20 million revolving credit facility has been drawn down, increasing gearing still further. Gearing now stands at 4.6%.

Outlook

On past experience the recovery rally phase is typically short term. While the portfolio tends to underperform the Reference Index during such periods, we need to recognise that the absolute performance continues to be strong. We currently feel pretty positive about the short and long term outlook for smaller companies as we see the continuation of the new economic cycle which effectively started on 19 March 2020. The future looks increasingly brighter albeit from a low base. The improvements will come in fits and starts but commencing with the vaccine announcements last year. The unknowns of Brexit are now largely behind us. Ultra-low interest rates are likely to remain for some time making equity assets look attractive. Finally, a new President in the US brings a welcome level of sanity and predictability to that divided country. While geo-political issues are unlikely to go away it is helpful to see that a sense of rationality has returned.

In theory, the new lock down announced on 4 January 2021 should be good for our investment process, favouring "Quality, Growth and Momentum". However the announcement of vaccines (assuming they work with all variants of the Covid virus) is good for the economy, good for smaller companies, and good for higher risk cyclicals but bad for our process. Currently the vaccines are driving performance but with each news item both positive and negative, market leadership will wax and wane.

> We currently feel pretty positive about the short and long term outlook for smaller companies.

The AIM market was the star of 2020. As many as 80% of the top 100 AIM stocks are profitable. More than half pay a dividend. The sector spread is now very diverse with a wide range of growth sectors represented. It's a far cry from ten and twenty years ago. AIM is becoming somewhat of an engine for growth in the UK economy, creating wealth and employment.

Valuation has always been secondary when it comes to stock selection. Nevertheless, as we look down the list of names in the portfolio, we find four out of our top ten with price earnings ratios in the teens. We haven't seen the largest positions trading on such low multiples for a while which suggests to us that, after the recent market rotation, a significant number of our Quality, Growth and Momentum-led holdings are looking cheap.

A glance at the recent trading statements of our holdings shows them to be overwhelmingly positive, with many upgrades, reinstated dividends and the paying back of furlough grants, which is very encouraging.

Having said that, there are clearly still clouds on the horizon as new variants of the virus appear, returns to normality are delayed, vaccine issues continue and the impact of Brexit filter through. Unemployment is likely to rise dramatically in the next six months as furlough comes to an end. Bearing in mind that the market typically looks two years ahead, we are comfortable that we are past the worst, that we are in a new economic cycle and that the next couple of years will be a good time for smaller companies relative to large caps.

As we have stressed before, our process remains unchanged. Our emphasis on risk aversion, resilience, growth and momentum still feels right for the future. Caution should be the watch-word however.

Smaller company investing should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term. Our stable process has been seasoned by fully four economic cycles. We remain very optimistic about the future of the Company in the long term.

Harry Nimmo and Abby Glennie,
Aberdeen Standard Investments
25 February 2021

Investment Process

Standard Life UK Smaller Companies 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 Aberdeen Standard Fund Managers Limited ("ASFML", the "AIFM" or the "Manager"). ASFML is a wholly owned subsidiary of Standard Life Aberdeen plc ("SLA") . The Company's portfolio is managed by Standard Life Investments Limited (the "Investment Manager") by way of a group delegation agreement in place between it and ASFML. Aberdeen Standard Investments is the brand of Standard Life Aberdeen plc. Harry Nimmo has been the Portfolio Manager since 2003 and Abby Glennie was appointed as Co-Manager in November 2020. They are part of a team focusing on investing in smaller companies.

Investment Philosophy and Process

The Board has identified that ASI has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 17 years. The investment process adheres to the ASI Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select lower risk 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 cutting losers. The investment process embeds ASI's Environmental, Social and Governance principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using ASI'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 13 separate proven indicators of financial performance. It is a powerful tool in helping the Portfolio Managers 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.

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
Companies in the portfolio will often produce niche products or services where demand is forecast to rise as these characteristics are the most predictive of future earnings and dividend growth.

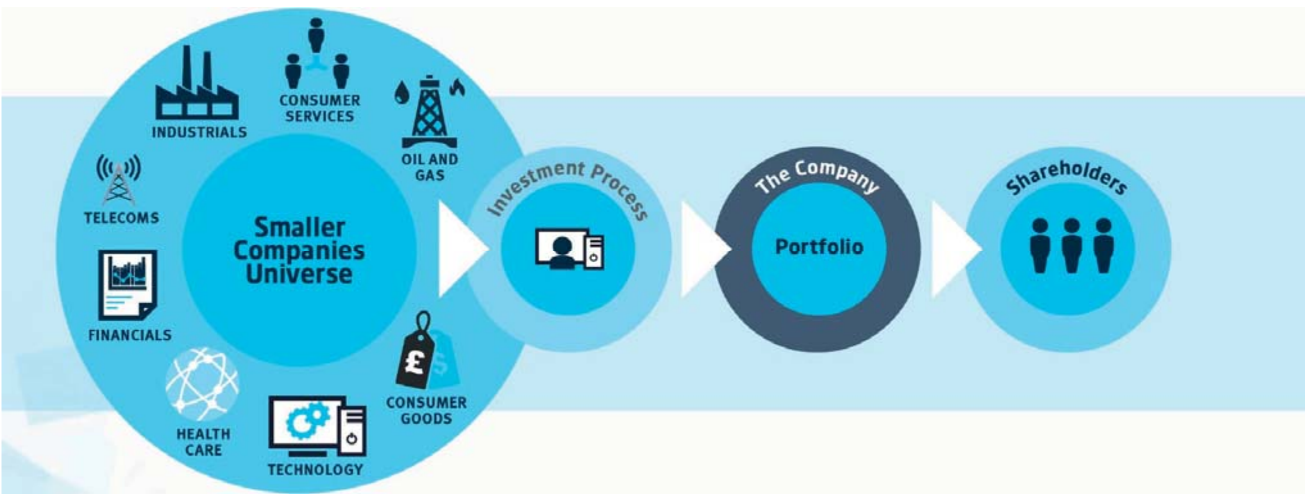
2. Quality
The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. 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. Three of the top 10 holdings in the portfolio are run by CEOs who have been with their business for over 20 years.

6. Valuation is secondary
Invest in companies which demonstrate positive earnings momentum as the team believes that it is a reliable predictor of future performance.



Ten Largest Investments

As at 31 December 2020

Kainos
Kainos is a digital services company offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.

Gamma Communications
Gamma Communications is a mid-sized telecoms company that supplies voice, data and mobile products and services in the UK. It provides fixed telephony, IP telephony, hosted phone systems, broadband and data connections, mobile services and unified communication solutions.

Games Workshop
Games Workshop designs, manufactures and sells fantasy miniatures and related products.

Future
Future publishes special-interest consumer magazines, applications and websites.

Diploma
Diploma is an international group of businesses supplying specialised technical products and services. Its subsidiaries distribute an assortment of scientific and lab equipment and telecommunications products.

XP Power
XP Power is a designer and manufacturer of low power, low noise, highly efficient electric motors and electronic systems. It manufactures in China and Vietnam.

Team 17
Team 17 is an international publisher and developer of computer games for computers, consoles, mobile devices and a range of other digital platforms.

Hilton Food Group
Hilton Food Group is a founder-run beef and fish packer. It works closely with food retailers across Europe and Australasia.

GB Group
GB Group is a global specialist in a range of business application software including ID verification software used for a range of on-line transactions.

Jet2 (previously known as Dart Group)
Jet2 is a leisure travel company. It operates Jet2holidays and scheduled leisure flights by its airline, Jet2.com.

Investment Portfolio

At 31 December 2020

Company	Sector	Market value £'000	Total assets %
Kainos	Software & Computer Services	29,845	4.5
Gamma Communications	Mobile Telecommunications	27,544	4.2
Games Workshop	Leisure Goods	25,966	4.0
Future	Media	24,416	3.7
Diploma	Support Services	22,571	3.4
XP Power	Electronic & Electrical Equipment	22,420	3.4
Team 17	Leisure Goods	19,203	2.9
Hilton Food Group	Food Producers	19,029	2.9
GB Group	Software & Computer Services	18,940	2.9
Jet2 (previously known as Dart Group)	Travel & Leisure	18,551	2.8
Top ten investments		**228,485**	**34.7**
Marshalls	Construction & Materials	18,246	2.8
Cranswick	Food Producers	17,430	2.6
Safestore Holdings	Real Estate Investment Trusts	16,038	2.4
First Derivatives	Software & Computer Services	15,093	2.3
AO World	General Retailers	14,793	2.3
RWS	Support Services	14,708	2.2
AJ Bell	Financial Services	14,042	2.1
GlobalData	Media	13,310	2.0
Hill & Smith Holdings	Industrial Engineering	13,205	2.0
Focusrite	Technology Hardware & Equipment	12,949	2.0
Top twenty investments		**378,299**	**57.4**
Bytes Technology Group	Software & Computer Services	12,407	1.9
discoverIE	Electronic & Electrical Equipment	12,289	1.9
Trainline	Travel & Leisure	12,182	1.8
Impax Asset Management	Financial Services	11,758	1.8
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	11,308	1.7
Intermediate Capital Group	Financial Services	11,117	1.7
4imprint Group	Media	10,898	1.6
Telecom Plus	Fixed Line Telecommunications	10,836	1.6
Ergomed	Pharmaceuticals & Biotechnology	10,624	1.6
JTC	Financial Services	10,305	1.6
Top thirty investments		**492,023**	**74.6**

Investment Portfolio Continued

At 31 December 2020

Company	Sector	Market value £'000	Total assets %
Big Yellow	Real Estate Investment Trusts	10,128	1.6
Liontrust Asset Management	Financial Services	9,918	1.5
Sirius Real Estate	Real Estate Investment & Services	9,461	1.4
Midwich	Support Services	8,634	1.3
Sanne Group	Support Services	8,589	1.3
Alpha Financial Markets	Support Services	8,521	1.3
Sumo Group	Leisure Goods	8,393	1.3
Next 15 Communications	Media	8,067	1.2
Workspace	Real Estate Investment Trusts	8,042	1.2
JD Sports Fashion	General Retailers	7,343	1.1
Top forty investments		**579,119**	**87.8**
FDM Group	Software & Computer Services	6,642	1.0
Mattioli Woods	Financial Services	6,554	1.0
Gear4Music	Leisure Goods	6,456	1.0
Boot (Henry)	Construction & Materials	6,371	1.0
Avon Rubber	Aerospace & Defense	6,184	0.9
Fisher (James) & Sons	Industrial Transportation	6,044	0.9
Aveva Group	Software & Computer Services	5,807	0.9
Motorpoint	General Retailers	5,380	0.8
Gooch & Housego	Electronic & Electrical Equipment	5,124	0.8
Robert Walters	Support Services	4,421	0.7
Top fifty investments		**638,102**	**96.8**
Morgan Sindall Group	Construction & Materials	4,075	0.6
Hotel Chocolat	Food Producers	3,606	0.5
Ricardo	Support Services	2,948	0.4
Greggs	Food & Drug Retailers	2,417	0.4
AB Dynamics	Industrial Engineering	2,381	0.4
Inspecs Group	General Retailers	2,377	0.4
Total portfolio		**655,906**	**99.5**
Net current assets[A]		**3,448**	**0.5**
Total assets		**659,354**	**100.0**

[A] Current assets less current liabilities.

Investment Case Studies

Sirius Real Estate

Sirius Real Estate is a German property business, focused on the non-prime segment of key cities. It is an example of the breadth of investable opportunities we have in the UK market; the UK stock market is not limited to exposure to the UK economy.

We hold the management team in high regard, and they have shown strong execution in turning around and then growing the business since they joined. There are many quality aspects around how they manage the business; their low cost model of direct-to-consumer marketing, their in-house property and tenant management platforms, and their ability to utilise capacity to a higher level than previous owners given their breadth of space usage (office, storage, smart space, production etc). The company has a diversified mix of tenants, with the top 10 contributing only 17% of the rent roll, and a spread amongst sectors which both help to reduce risk. The tenants have been shown to be loyal, with low turnover.

Whilst the investment case has an earnings focus on managing the business to maximize the rent roll, the management team also look to trade properties, so there is also a property yield angle. In early 2019, the company entered into a joint venture with Axa, which has broadened its addressable universe, providing a potential outlet for some properties, and also a visible recurring fee income stream. The company has a strong balance sheet, allowing management the capacity to deploy capital through acquisitions. The company displays strong ESG credentials in its extension of building lifelines, and efficient consumption of energy by tenants.

Whilst there are risks around the cost of debt increasing, and economic weakness in Germany, we are confident about the resilience of the business, diverse nature of the tenants, and the growth levers that management can pull to ensure that the investment case remains attractive. The high yielding assets together with their efficient platform provide an attractive level of recurring income, supporting attractive dividends to shareholders. The company's historic dividend has been worth a 3.5% yield, and the dividend is growing strongly. With a policy to distribute 65% of recurring cash flow, it is one of the best covered dividends in its peer group.

Investment Case Studies Continued

Bytes Technology Group

We bought into Bytes Technology Group at its IPO in December 2020. It is a value added reseller ("VAR") in the UK technology market, selling to both public and private enterprises. It is well diversified, with around 5,000 customers, with the top 10 representing only 8% of gross profit. Bytes focuses predominantly on software which is 92% of revenue, with strong exposures to growth areas such as Cloud, Security and Software Asset Management. It operates in a very fragmented market and, despite having a top 10 position, it only has a 3% market share; we believe this gives the company strong opportunities for growth, and it is outgrowing its peers. Its exposure to software is higher than other UK VARs, a key differentiator in the market.

VARs are a critical part of the technology industry, with leading providers such as Microsoft, Adobe and Oracle relying on them as a route to market. Customers also rely on the expertise, knowledge and advice that companies like Bytes provide, which is critical to many investment decisions companies are making. Technology is an area of constant change and evolution, helping drive structural growth in the industry and the continued need for investment by customers. This is a positive driver for Bytes and its valued market position.

Bytes has a strong customer base, where its strong sales and service execution help ensure those customers are loyal. The renewal rate of customers is evidence to this, with 92% of gross profit last year from existing customers. Its business model and exposure to software gives it strong visibility in revenue, despite it not being contracted. Over 60% of gross profit is from licenses which are annually or periodically renewable. Bytes is increasingly taking wallet share from its customers, therefore its existing customer base drives strong sales growth outlook. Additionally, Bytes continues to win new customers, and we believe the strength of being a listed business will help its brand recognition.

Bytes has a strong culture, with impressive Glassdoor scores and having won awards as a "Best Place to Work". Its staff tenure, particularly in its sales team, is very strong; only 1 of the top 50 sales people having left and not returned in the last five years. Its strong incentivisation structure on commission has helped retain successful employees, as does a good training and development regime. It has also aligned its Corporate Social Responsibility policy to the UN Sustainable Development Goals, and heavily involved staff in that process.

Bytes has a strong track record of sales and profit growth, as well as cash generation and it traded well through the uncertain environment of Covid-19. It has a net cash balance sheet, and will have a well-founded ability to pay dividends. It expects to pay out 40-50% of adjusted net income as dividends. Forecasts are for high single digit profit growth over the next few years and we believe these forecasts can be upgraded over time. The company has an asset-light business model, which drives a high ROE of 50%.

Condensed Statement of Comprehensive Income (unaudited)

		Six months ended 31 December 2020			Six months ended 31 December 2019		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Net gains on investments held at fair value		–	113,719	113,719	–	90,245	90,245
Income	2	4,457	–	4,457	5,672	–	5,672
Investment management fee		(547)	(1,642)	(2,189)	(528)	(1,583)	(2,111)
Administrative expenses		(412)	–	(412)	(414)	–	(414)
Net return before finance costs and taxation		3,498	112,077	115,575	4,730	88,662	93,392
Finance costs		(92)	(277)	(369)	(95)	(286)	(381)
Return before taxation		3,406	111,800	115,206	4,635	88,376	93,011
Taxation	3	–	–	–	–	–	–
Return after taxation		**3,406**	**111,800**	**115,206**	**4,635**	**88,376**	**93,011**
Return per Ordinary share (pence)	5	**3.41**	**112.06**	**115.47**	**4.62**	**88.16**	**92.78**

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 2020 £'000	As at 30 June 2020 £'000
Non-current assets			
Investments held at fair value through profit or loss		655,906	527,040
Current assets			
Debtors		1,382	879
Investments in AAA-rated money-market funds		3,827	26,465
Cash and short-term deposits		–	49
		5,209	27,393
Current liabilities			
Creditors: amounts falling due within one year		(1,745)	(1,443)
Bank overdraft		(16)	–
		(1,761)	(1,443)
Net current assets		3,448	25,950
Total assets less current liabilities		659,354	552,990
Creditors: amounts falling due in more than one year			
Bank loan	8	(24,932)	(24,914)
Net assets		**634,422**	**528,076**
Capital and reserves			
Called-up share capital		26,041	26,041
Share premium account		170,146	170,146
Special reserve		24,660	28,534
Capital reserve		406,351	294,551
Revenue reserve		7,224	8,804
Equity shareholders' funds		**634,422**	**528,076**
Net asset value per Ordinary share (pence)	7	**638.46**	**527.73**

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

Condensed Statement of Changes in Equity (unaudited)

Six months ended 31 December 2020

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2020	26,041	170,146	28,534	294,551	8,804	528,076
Return after taxation	–	–	–	111,800	3,406	115,206
Buyback of Ordinary shares into Treasury	–	–	(3,874)	–	–	(3,874)
Dividends paid (see note 4)	–	–	–	–	(4,986)	(4,986)
Balance at 31 December 2020	**26,041**	**170,146**	**24,660**	**406,351**	**7,224**	**634,422**

Six months ended 31 December 2019

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	26,041	170,146	30,977	304,664	10,866	542,694
Return after taxation	–	–	–	88,376	4,635	93,011
Buyback of Ordinary shares into Treasury	–	–	(2,281)	–	–	(2,281)
Dividends paid (see note 4)	–	–	–	–	(6,106)	(6,106)
Balance at 31 December 2019	**26,041**	**170,146**	**28,696**	**393,040**	**9,395**	**627,318**

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

Condensed Statement of Cash Flows (unaudited)

	Six months ended 31 December 2020 £'000	Six months ended 31 December 2019 £'000
Operating activities		
Net return before finance costs and taxation	115,575	93,392
Adjustment for:		
Gains on investments	(113,719)	(90,245)
(Increase)/decrease in accrued income	(761)	433
Increase in other debtors	(4)	(5)
Increase in other creditors	128	1,145
Net overseas tax	–	2
Net cash inflow from operating activities	1,219	4,722
Investing activities		
Purchases of investments	(57,735)	(36,077)
Sales of investments	43,025	26,819
Purchases of AAA-rated money-market funds	(35,367)	(45,664)
Sales of AAA-rated money-market funds	58,005	38,515
Net cash inflow/(outflow) from investing activities	7,928	(16,407)
Financing activities		
Interest paid	(352)	(347)
Drawdown of loans	–	20,000
Equity dividends paid	(4,986)	(6,106)
Buyback of shares	(3,874)	(2,281)
Net cash (outflow)/inflow from financing activities	(9,212)	11,266
Decrease in cash and short-term deposits	**(65)**	**(419)**
Analysis of changes in cash during the period		
Opening cash and short-term deposits	49	668
Decrease in cash and short-term deposits as above	(65)	(419)
Closing cash and short-term deposits	**(16)**	**249**

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

Notes to the Financial Statements (unaudited)

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 October 2019. 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 2020 £'000	Six months ended 31 December 2019 £'000
Income from investments		
UK dividend income	3,257	4,717
Property income distributions	607	594
Overseas dividend income	575	272
	4,439	5,583
Interest income		
Interest from AAA-rated money market funds	18	89
Total income	**4,457**	**5,672**

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 2021 is 19%.

4. **Ordinary dividend on equity shares**

	Six months ended 31 December 2020 £'000	Six months ended 31 December 2019 £'000
2020 final dividend of 5.00p per share (2019 – 6.10p)	**4,986**	**6,106**

Notes to the Financial Statements (unaudited) Continued

5. **Return per share**

	Six months ended 31 December 2020 p	Six months ended 31 December 2019 p
Revenue return	3.41	4.62
Capital return	112.06	88.16
Total return	**115.47**	**92.78**
Weighted average number of Ordinary Shares	**99,770,138**	**100,251,509**

The figures above are based on the following:

	Six months ended 31 December 2020 £'000	Six months ended 31 December 2019 £'000
Revenue return	3,406	4,635
Capital return	111,800	88,376
Total return	**115,206**	**93,011**

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 2020 £'000	Six months ended 31 December 2019 £'000
Purchases	159	169
Sales	25	20
	184	**189**

7. **Net asset value.** 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.

Net asset value per share	As at 31 December 2020	As at 30 June 2020
Total Shareholders' funds (£'000)	634,422	528,076
Number of Ordinary Shares in issue at the period end[A]	99,367,722	100,065,198
Net asset value per share (pence)	638.46	527.73

[A] Excluding shares held in treasury.

During the six months ended 31 December 2020 the Company repurchased 697,476 Ordinary Shares to be held in treasury (31 December 2019 – 485,640) at a cost of £3,874,000 (31 December 2019 – £2,281,000).

As at 31 December 2020 there were 99,367,722 Ordinary Shares in issue (30 June 2020 – 100,065,198). There are also 4,796,700 Ordinary Shares (30 June 2020 – 4,099,224) held in treasury.

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8. **Loans**. On 1 November 2017 the Company entered into a £45,000,000 unsecured loan facility agreement with The Royal Bank of Scotland International Limited. The facility consists of a five year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a five year revolving credit facility of £20,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

At 31 December 2020, £25,000,000 of the Term Loan had been drawn down (30 June 2020 – £25,000,000) at a rate of 2.349% (30 June 2020 – 2.349%). The RCF was undrawn at 31 December 2020 and at 30 June 2020.

The Term Loan is shown in the Statement of Financial Position net of unamortised expenses of £68,000 (30 June 2020 – £86,000).

The fair value of the Term Loan at 31 December 2020 was £26,096,000 (30 June 2020 – £26,390,000), the value being calculated per the disclosure in note 10.

9. **Analysis of changes in net debt**

	At 30 June 2020 £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2020 £'000
Cash and short-term deposits	49	(65)	–	(16)
Investments in AAA-rated money-market funds	26,465	(22,638)	–	3,827
Debt due after more than one year	(24,914)	–	(18)	(24,932)
Total net debt	**1,600**	**(22,703)**	**(18)**	**(21,121)**

	At 30 June 2019 £'000	Cash flows £'000	Non-cash movements £'000	At 31 December 2019 £'000
Cash and short-term deposits	668	(419)	–	249
Investments in AAA-rated money-market funds	15,911	7,149	–	23,060
Debt due within one year	–	(20,000)	–	(20,000)
Debt due after more than one year	(24,877)	–	(18)	(24,895)
Total net (debt)/funds	**(8,298)**	**(13,270)**	**(18)**	**(21,586)**

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 2020 – 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 2020 – £655,906,000 ; June 2020 – £527,040,000) have therefore been deemed as Level 1.

The investment in AAA rated money–market funds of £3,827,000 (30 June 2020 – £26,465,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

The fair value of borrowings as at 31 December 2020 has been estimated at £26,096,000 (30 June 2020 – £26,390,000) with a par value per Statement of Financial Position of £24,932,000 (30 June 2020 – £24,914,000) using the interest rate swap valuation technique. Under the fair value hierarchy in accordance with FRS 102, these borrowings can be classified as Level 2.

Notes to the Financial Statements (unaudited) Continued

11. **Transactions with the Manager.** The Company has an agreement with Aberdeen Standard Fund Managers Limited ("ASFML") for the provision of investment management, secretarial, accounting and administration and promotional activity services. During the six months ended 31 December 2020 the management fee paid to ASFML was charged applying a tiered rate of 0.85% to the first £250 million of net assets, 0.65% of net assets between £250 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 £2,189,000 (31 December 2019 – £2,111,000) of investment management fees were earned by ASFML, with a balance of £1,135,000 (31 December 2019 – £2,111,000) due at the period end.

    ASFML also receive fees for secretarial and administrative services of (i) £110,000 per annum and (ii) 0.02% of the net asset value of the Company in excess of £70 million (the net asset value of the Company being as shown in its annual accounts) up to a maximum annual amount of £150,000 exclusive of VAT. With effect from 1 January 2021 the secretarial fee will be £75,000 per annum exclusive of VAT.

    During the period fees of £75,000 (31 December 2019 – £75,000) exclusive of VAT were earned by the ASFML for the provision of secretarial and administration services. The balance due to the ASFML at the period end was £75,000 (31 December 2019 – £75,000) exclusive of VAT.

    The Manager also receives a separate promotional activities fee which is based on a current annual amount of £100,000 exclusive of VAT payable quarterly in arrears. With effect from 1 January 2021 the promotional activities fee will be £200,000 per annum exclusive of VAT. During the period fees of £50,000 (31 December 2019 – £50,000) exclusive of VAT were payable to the Manager, with a balance of £25,000 (31 December 2019 – £60,000) exclusive of VAT being due at the period end.

12. **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 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. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

13. This Half-Yearly Financial Report was approved by the Board on 25 February 2021.

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 2020	30 June 2020
Share price	632.00p	482.00p
Net Asset Value per share	638.46p	527.73p
Discount	1.0%	8.7%

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 2020 £'000	30 June 2020 £'000
Total borrowings [A]	(24,932)	(24,914)
Cash and short-term deposits	(16)	49
Investments in AAA-rated money-market funds	3,827	26,465
Amounts due from brokers	–	262
Amounts payable to brokers	(267)	(92)
Total cash and cash equivalents[B]	**3,544**	**26,684**
Net (gearing)/cash (borrowings less cash & cash equivalents)[A-B]	**(21,388)**	**1,770**
Shareholders' funds	**634,422**	**528,076**
Net (gearing)/cash	**-3.4%**	**0.3%**

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 net asset values throughout the year. The ratio reported at 31 December 2020 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 2021.

Alternative Performance Measures Continued

	31 December 2020[A] £'000	30 June 2020[B] £'000
Investment management fees	4,498	3,938
Administrative expenses	834	811
Less: non-recurring charges[C]	(3)	(8)
Ongoing charges	**5,329**	**4,741**
Average net assets	**611,545**	**539,070**
Ongoing charges ratio	**0.87%**	**0.88%**

[A] Forecast ratio for the year ending 30 June 2021, based on estimates as at 31 December 2020.
[B] For the year ended 30 June 2020.
[C] Comprises professional fees not expected to recur.

The ongoing charges ratio differs from the other costs figure reported in the Company's Key Information Document calculated in line with the PRIIPs regulations, which includes the ongoing charges ratio and the financing and transaction costs.

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 involves 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 involves reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

The table below provides information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the period and the resultant total return.

In order to calculate the total return for the period, returns are calculated on each key date during the period and then the return for the period is derived from the product of these individual returns. Dividends are reported on their ex-dividend date and are added back to the NAV or share price to calculate the return for that period.

Six months ended 31 December 2020	Dividend rate	NAV	Share price
30 June 2020	N/A	527.73p	482.00p
1 October 2020	5.00p	573.90p	526.00p
31 December 2020	N/A	638.46p	632.00p
Total return		**+22.1%**	**+32.4%**

Investor Information

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

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services, London Branch as its depositary under the AIFMD.

The AIFMD requires Aberdeen Standard 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: **standardlifeuksmallercompaniestrust.co.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 our 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 our Customer Services Department.

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 Registrars (see Corporate Information). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Corporate Information) or by email to: **CEF.CoSec@aberdeenstandard.com.**

For questions about an investment held through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), please telephone the Manager's Customer Services Department on **0808 500 0040**, email **inv.trusts@aberdeenstandard.com** or write to **Aberdeen Standard Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.**

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2020/21 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 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.

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 retail clients, shares can be bought directly through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), or through the many broker platforms which offer the opportunity to acquire shares in investment companies.

Aberdeen Standard Investments Children's Plan

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 only pay Government Stamp Duty (currently 0.5%) on entry where applicable. 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 Aberdeen Standard Investments in writing at any time.

Investor Information Continued

Aberdeen Standard Investments 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 only pay Government Stamp Duty (currently 0.5%) on entry where applicable. 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 Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments ISA
Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2020/21 tax year.

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 where applicable. 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.

Nominee Accounts and Voting Rights
All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

Keeping You Informed
Further information about the Company may be found on its dedicated website:
standardlifeuksmallercompaniestrust.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

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

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

Literature Request Service
For literature and application forms for Aberdeen Standard Investments' investment trust products, please visit: **invtrusts.co.uk**, telephone the Manager's Customer Services Department on **0808 500 4000** or write to **Aberdeen Standard Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.**

Terms and Conditions
Terms and conditions for Aberdeen Standard Investments managed savings products can also be found under the Literature section of the Manager's website at: **invtrusts.co.uk**.

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 the securities issued by the Company 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.

Online Dealing

There are a number of online dealing platforms for private investors 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.

Some well-known online providers, which can be found through internet search engines, include:

- AJ Bell Youinvest
- Barclays Stockbrokers / Smart Investor
- Canaccord Genuity (Hargreave Hale)
- Charles Stanley Direct
- EQ (Equiniti Shareview)
- Halifax Share Dealing
- Hargreaves Lansdown
- iDealing.com
- Interactive Investor
- The Share Centre

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:

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

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 29 to 31 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 Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

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Ashton Bradbury
Alexa Henderson
Caroline Ramsay
Tim Scholefield

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Edinburgh EH2 2LL

Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
1 George Street
Edinburgh EH2 2LL

Investment Manager
Standard Life Investments Limited
1 George Street
Edinburgh EH2 2LL

Aberdeen Standard Investments Customer Services Department, Children's Plan, Share Plan and ISA enquiries
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PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: **0808 500 0040**
(open Monday to Friday, 9.00 a.m. to 5.00 p.m., excluding public holidays in England and Wales)

Email: **inv.trusts@aberdeenstandard.com**

Company Registration Number
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standardlifeuksmallercompaniestrust.co.uk

Registrar
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