

abrdn UK Smaller Companies Fund



31 December 2024

Performance

The Fund marginally underperformed the benchmark over the quarter. The main detractor from relative performance was the holding in structural steel contractor Severfield. The shares fell sharply in December after the company issued a profit warning. Hunting stock declined due to concerns about the operating environment in the US. However, an update from the oil and gas industry supplier showed that its non-US business and recent diversification efforts were fuelling significant growth. Housebuilder MJ Gleeson weakened on fears that interest rates could stay higher for longer in the UK, and the Fund's lack of a position in Trainline also had a negative impact on performance. The shares rose after the firm reported a sharp increase in interim profits. Conversely, the holding in XPS Pension Group added to relative returns. The shares rose in response to another solid trading update. Raspberry Pi stock continued its strong run based on positive newsflow. This included the announcement of a strategic partnership with SECO, a provider of internet of things (IoT) solutions, and the release of a fifth-generation Compute Module. Shares in construction services business Morgan Sindall Group advanced after the firm published a positive earnings statement that showed stronger-than-expected growth in the fit-out division. In addition, the company's strong balance sheet was particularly helpful in light of the failure of a sector peer. Finally, Cairn Homes continued to perform well in the wake of September's impressive trading update.

Activity

The Fund took new positions in several companies during the quarter. We introduced Bloomsbury Publishing, a business that is unique in its independence as a medium-sized publisher and its combination of both general and academic publishing, a strategy that provides good diversification. We also initiated holdings in Avon Technologies, a market-leading manufacturer of respiratory protection equipment, and construction materials company Breedon Group. We added to the Fund's holdings in several businesses over the review period. These included Hunting, Johnson Service Group, Savills, Renew and Cairn Homes. We trimmed the position sizes in 4Imprint Group, Hill & Smith, Paragon Banking Group, XPS Pensions Group and JTC, among others. Finally, we exited YouGov, Liontrust Asset Management and recruitment specialist Robert Walters during the quarter. YouGov issued an unexpected profit warning earlier in 2024 and, given the time it is likely to take management to rebuild credibility with investors, we decided to exit the stock. Meanwhile, both Liontrust and Robert Walters had shown signs of an increasingly protracted recovery from recent difficulties.

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 31/12/2024

	3 Months %	1 Year %	3 Years (p.a.) %	5 Years (p.a.) %
abrdrn UK Smaller Companies Fund	0.3	11.9	-11.6	-2.0

Discrete annual performance year to 31/12

	2024	2023	2022	2021	2020
abrdrn UK Smaller Companies Fund	11.9	-0.2	-38.2	33.4	-1.6

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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