

Aug  
2019

# ASI UK Smaller Companies Fund

Aberdeen Standard  
Investments

31 August 2019

To generate growth over the long term (5 years or more) by investing in UK small-capitalisation equities (company shares).

Please note: Our factsheets will be fully updated to reflect the 7 August 2019 changes to the Investment Objective and Policy, including benchmark use, shortly. In the interim, please see the KIID which can be found at <https://www.aberdeenstandard.com/en/uk/investor/fund-centre#literature> for full up to date information.

OEIC Fund

Equity Fund

Monthly

Fund Manager	Harry Nimmo	Base Currency	GBP
Fund Manager Start	6 Jan 1997	No. of Holdings	49
Launch Date	6 Jan 1997		
IA Sector	IA UK Smaller Companies		
Benchmark	IA UK Smaller Companies Sector		
Current Fund Size	£1470.1m		

**This document is intended for use by individuals who are familiar with investment terminology. To help you understand this fund and for a full explanation of specific risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents and Prospectus which are available on our website – [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com).**

**Aberdeen Standard Investments has not considered the suitability of investment against your individual needs and risk tolerance. If you are in any doubt as to whether this fund is suitable for you, you should seek advice. An adviser is likely to charge for advice. We are unable to provide investment advice.**

## Fund Information \*

### Composition by Sector

	Fund %
Consumer Services	24.3
Industrials	23.4
Financials	12.6
Consumer Goods	11.9
Technology	9.9
Health Care	7.0
Telecommunications	5.7
Cash and Other	5.2

### Composition by Market Capitalisation (Ex Cash)

	Fund %
FTSE UK 100	3.2
FTSE UK 250	55.4
FTSE Small Cap	7.3
Not In Index	34.1

### Top Ten Holdings

Stocks	Fund %
Dechra Pharmaceuticals	4.2
Gamma Communications	3.9
Future	3.6
4imprint	3.6
RWS Holdings	3.4
GB Group	3.3
Diploma	3.2
Hilton Food	3.1
JD Sports Fashion	3.1
Marshalls Group	3.1
Assets in top ten holdings	34.5

## Fund Performance \*

### Price Indexed



The performance of the fund has been calculated over the stated period using bid to bid basis for a UK basic rate tax payer. The performance shown is based on an Annual Management Charge (AMC) of 0.80%. You may be investing in another shareclass with a higher AMC. The charges for different share classes are shown on the next page. For details of your actual charges please contact your financial adviser or refer to the product documentation.

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

### Year on Year Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	Year to 30/06/2019 (%)	Year to 30/06/2018 (%)	Year to 30/06/2017 (%)	Year to 30/06/2016 (%)	Year to 30/06/2015 (%)
Retail Fund Performance	0.8	23.2	31.9	1.3	14.8
Institutional Fund Performance	1.3	23.8	32.6	2.0	15.7
Platform One	1.2	23.7	32.5	1.9	15.6
IA UK Smaller Companies Sector	-6.2	16.9	36.6	-5.7	9.8

### Cumulative Performance

Source: Aberdeen Standard Investments (Fund) and Morningstar (Sector)

	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Retail Fund Performance	10.2	-4.2	42.3	80.1
Institutional Fund Performance	10.5	-3.7	44.4	85.4
Platform One	10.4	-3.8	43.8	84.3
IA UK Smaller Companies Sector	2.9	-9.4	28.7	49.2

Note: Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

For a full description of those eligible to invest in each share class please refer to the relevant prospectus.

The fund does not have an index-tracking objective.

#### Definitions

Cash and Other - may include bank and building society deposits, other money market instruments such as Certificates of Deposits (CDs), Floating Rate Notes (FRNs) including Asset Backed Securities (ABSs), Money Market Funds and allowances for tax, dividends and interest due if appropriate.

Composition by Market Capitalisation - Not in index is the sum of holdings outwith the FTSE All Share. This may include new issues, AIM listed and other LSE listed stocks.

### Market review

UK equities tumbled in August, recording the second negative month of 2019. A report published in August showed that over \$4 billion has been pulled from UK equity funds since late May. Outflows since the referendum have topped \$20 billion.

Global recession, trade friction and competitive currency devaluation were the themes that dominated investor sentiment. The increased likelihood of a no-deal Brexit, and the tactics employed by the government in its determination to leave the European Union (EU) by the end of October, were also prominent. The immediate effect of this was seen most clearly in the currency market as sterling weakened. There was a respite at month end when equities bounced on signals that the US was retreating from its latest threats of tariffs on China.

A weaker currency usually means large companies with big overseas earnings outperform their more domestically focused rivals. However, the reverse was the case in August as weaker commodity prices weighed on the resource-heavy FTSE 100 Index.

Risk aversion was demonstrated by the strong showing of safe-haven assets such as gold, which reached a six-year high of over \$1,500. Furthermore, flows of money into bond markets led to an inversion of the 2-10 year gilt yield curve – a leading indicator of economic recession.

Given the backdrop of rising volatility, it was companies with dependable profits and strong balance sheets that outperformed. Healthcare and consumer staples were the most in favour.

On the economic front, news was disappointing. The economy contracted by a higher-than-expected 0.2% in the second quarter of 2019, the first contraction in seven years. However, July's retail sales figures were stronger than expected. The key is the

continued support provided by a strong labour market, with wages growing at the quickest pace in a decade.

### Activity

We purchased shares in AB Dynamics, which supplies integrated testing systems for the global automotive industry. The company holds a strong niche position in its field, with future growth driven by demand for vehicle automation testing.

Meanwhile, we trimmed the holding in JD Sports to lock-in profits after a strong run for the firm. The company remains a beacon in a troubled retail sector, thanks to the ongoing popularity of its athleisure wear. We reduced our exposure to Sanne, the global provider of alternative assets and corporate business services. The group is struggling to deliver operating efficiencies, while spending on overheads are higher than it would have liked. We also have questions around its management team. Finally, we sold shares in Costain, a tech-based construction and engineering firm. It issued a profit-warning following the loss of two significant contracts. This puts pressure on its order book.

### Performance

The Fund finished in negative territory, although beat its benchmark.

Landscaping and commercial construction firm Marshalls performed well. Its latest results were strong, confirming revenue growth, positive innovation trends and operational efficiencies. A position in XP Power lifted the Fund's returns. Shares bounced back following a period of weakness. The challenges facing the semiconductor sector are now well known, while XP continues to deliver growth from other areas of the business. Multi-platform media company Future was once again a standout stock. The group continues to enjoy earnings upgrades, thanks to

robust organic growth and the fruits of recent acquisitions.

On the downside, consulting services firm First Derivatives' share price remained under pressure following the sudden, tragic death of its founder and CEO. Investors are concerned about succession planning. Meanwhile, shares in digital technology firm Kainos sold off. It has close ties with the UK government, with Brexit-related concerns seeing spending decisions put on hold. Lastly, Abcam, which sells antibodies to research institutions and drug makers, continued its poor run. Investors have frowned upon the company's decision to continue its internally funded expansion plans. However, management recently responded by saying they had been clear about their intentions to invest for growth. They also highlighted that revenues had more than doubled over the last five years

### Outlook

We are cautious on the outlook for UK equity markets. The threat of a 'no-deal' Brexit has grown, stifling corporate investment and investor sentiment. Despite recent mild thawing of hostilities between the US and China, concerns around trade remain centre stage. Investors are worried the impact tariffs could have on supply chains and the interconnectivity of end markets. That said, recent UK economic data was slightly better than forecast. Central banks have also confirmed their willingness to act to support growth.

On the markets, Q3 thus far has been characterised by a style rotation. We have seen investors bank profits from quality, growth stocks (which we favour) and move into value stocks. We are mindful of this, although continue to believe our approach remains the best way to deliver superior long-term returns. Indeed, in tougher times with heightened uncertainty, we believe quality companies, with their relative resilience, should come back into favour.

## Other Fund Information

	Retail Acc	Retail Inc	Institutional Acc	Institutional Inc
Lipper	60011545	n/a	60011544	68225275
Bloomberg	SLUKSMA LN	SLUKSRI LN	SLUKSAA LN	SLUKSII LN
ISIN	GB0004331236	GB00BYQNBS53	GB0004333497	GB00B8K1GG67
SEDOL	0433123	BYQNBS5	0433349	B8K1GG6

	Platform One Acc	Platform One Inc
Lipper	68165310	n/a
Bloomberg	SKUKPLA LN	n/a
ISIN	GB00B7FBH943	n/a
SEDOL	B7FBH94	n/a

	Interim	Annual	Valuation Point	12:00 (UK time)
Reporting Dates	31 Aug	28 (29) Feb	Type of Share	Accumulation
XD Dates	n/a	28 (29) Feb	ISA Option	Yes
Payment Dates (Income)	n/a	30 Apr		

	Retail	Institutional	Platform One
Initial Charge	4.00%	0.00%	0.00%
Annual Management Charge	1.35%	0.80%	0.85%
Ongoing Charges Figure	1.36%	0.89%	0.99%

The Ongoing Charge Figure (OCF) is the overall cost shown as a percentage of the value of the assets of the Fund. It is made up of the Annual Management Charge (AMC) shown above and the other expenses taken from the Fund over the last annual reporting period. It does not include any initial charges or the cost of buying and selling stocks for the Fund. The OCF can help you compare the costs and expenses of different funds.

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Useful numbers -  
Investor Services  
0345 113 69 66.

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