abrdn UK Smaller Cos Growth Trust

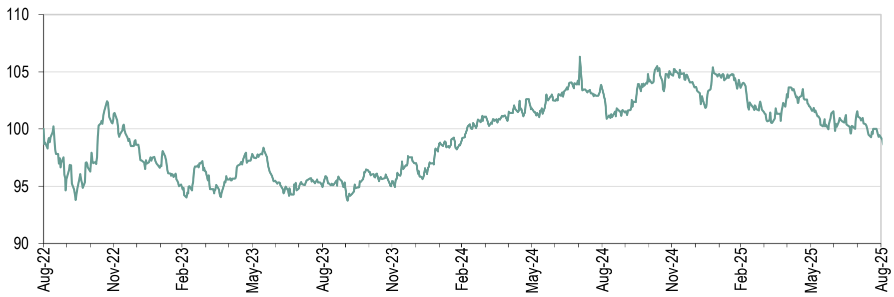
Fertile hunting ground for preferred investments

Investment companies
UK smaller companies

29 September 2025

abrdn UK Smaller Companies Growth Trust's (AUSC's) managers Abby Glennie and Amanda Yeaman are finding interesting investment ideas at attractive valuations during a difficult time in the market. UK small-cap stocks remain unloved by investors and within this asset class value stocks are outpacing AUSC's preferred high-quality growth names. The managers stress that, despite weak UK economic growth, there are plenty of smaller-cap UK companies that can thrive regardless of the macroeconomic backdrop. They are confident that the trust's relative returns can improve once the style headwind abates, adding to AUSC's long-term outperformance record.

Exhibit 1: NAV versus the reference index, last three years



Source: LSEG Data & Analytics, Edison Investment Research

Why consider AUSC?

Glennie and Yeaman are still finding good long-term investment ideas. These are high-quality growth businesses with reliable and visible earnings streams, robust cash flows and experienced management teams. The managers are placing a greater importance than usual on company valuations, as sticky UK inflation means that interest rate cuts are on hold. Also, it is important not to overpay for a holding as the market is very unforgiving of earnings misses. Companies that do not meet consensus expectations are seeing the value of their businesses decline by more than the amount that would have previously been attributed to the earnings miss.

Currently, share buybacks are a trend in the UK market. Glennie and Yeaman are encouraged that AUSC's portfolio companies have the financial strength, strategic flexibility and discipline to allocate capital efficiently between internal investment, acquisitions or returning cash to shareholders via dividends or share buybacks. This balanced approach should help to support sustainable earnings growth during different market conditions.

While AUSC's primary focus is capital growth, it also has a growing dividend. Dividends per share were stable between FY19 and FY21, but in the subsequent four financial years have compounded at an average annual rate of 14.4%. The trust has recently gained court approval to convert its share premium account into a distributable reserve, which can be used – in the future – to supplement dividends if required, ensuring that shareholders' income can be protected in years when the net revenue is reduced.

Price		**507.00p**
Market cap		**£291m**
Total assets		**£351m**
NAV		560.9p

[1]NAV at 25 September 2025.

Discount to NAV		9.6%
Current yield		2.6%
Shares in issue		57.3m
Code/ISIN		AUSC/GB0002959582
Primary exchange		LSE
AIC sector		UK Smaller Companies
Financial year end		30 June
52-week high/low	531.0p	426.0p
NAV high/low	585.4p	466.7p
Net gearing		9.0%

[1]Net gearing at 19 September 2025.

Fund objective

abrdn UK Smaller Companies Growth Trust aims to achieve long-term capital growth through investment in a diversified portfolio consisting of UK-quoted smaller companies. Performance is measured against the Deutsche Numis Smaller Companies plus AIM ex-Investment Companies Index (the reference index).

Bull points

- Long-term record of strong absolute and relative performance.
- Consistent proprietary investment process driven by the Matrix.
- Over the long term, shares of smaller companies tend to perform relatively better than those of larger businesses.

Bear points

- Relative performance tends to struggle when investor focus is on macroeconomic events rather than on company fundamentals.
- Less appetite for small-cap stocks during periods of elevated investor risk aversion.
- In general, the operations of UK small-cap companies are more leveraged to the domestic economy.

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abrdn UK Smaller Cos Growth Trust is a research client of Edison Investment Research Limited

AUSC: Sticking to the focus on quality, growth and momentum

Despite facing a growth style headwind this year, AUSC's managers are sticking to their fundamental investment approach, which is based on quality, growth and momentum factors. This strategy has proved successful for more than 25 years through multiple economic cycles. An integral element of the investment process is the Matrix, which is a proprietary screening tool that focuses the managers' research efforts and stock selection. The Matrix has 12 performance indicators including earnings revisions (the most important factor), earnings growth, valuation and dividend yield, share price momentum, the level of directors' dealings and Altman Z-scores (to measure balance sheet strength). It can identify a shortlist of companies that warrant further analysis, either as initiations/top-ups or as reductions/disposals.

Recent developments

Following the investment manager's name change to Aberdeen Group, the board is proposing to change AUSC's name to Aberdeen UK Smaller Companies Growth Trust. This will require shareholder approval at the AGM, which will be held on 20 November 2025.

As a result of a review by the board and the managers, the guideline regarding the number of portfolio holdings has been changed from between 50 and 60 to approximately 50, which was the case until 2021. This reflects the managers' conviction levels and does not imply a change in the investment strategy.

Perspectives from AUSC's managers

Glennie and Yeaman believe that there is widespread disappointment about the delay in the UK chancellor's autumn statement, as it is negatively affecting both consumer and business confidence. They note that companies have the balance sheet strength and opportunities for capex. However, in the current environment, share repurchases have been prevalent as management teams see value in their own shares. Insights gleaned from a recent meeting with portfolio company Hill & Smith showed very strong trading momentum. The company announced a share repurchase programme, which was larger than expected and was well received by the market. Importantly, this development was not at the expense of ongoing capex as Hill & Smith is continuing to invest in organic growth initiatives and acquisitions.

The managers say that the overall outlook appears cautious. There are pockets of strength, but households seem loath to dip into their savings as they lack confidence, and as a result many consumer discretionary businesses are struggling. Overall, companies are looking to increase efficiencies in an era of higher employee costs. Areas of strength in the UK economy include defence, which is receiving increased funding, infrastructure projects with high earnings visibility and rapid growth in AI.

Although UK GDP growth is currently subdued, Glennie and Yeaman highlight that there are many UK small-cap companies that can grow earnings, despite a sluggish macroeconomic environment. Valuations alone are not enough to drive demand for UK stocks, but they remain attractive in both absolute and relative terms, so there is plenty of scope for a re-rating of UK companies if global asset allocators continue to search for alternatives for part of their large US allocations.

Current portfolio positioning

At the end of August 2025, AUSC's portfolio had 53 holdings, which was four more than 12 months earlier. The largest 10 holdings, across a wide range of businesses, made up 32.3% of the portfolio, which was a lower concentration than 35.5% at the end of August 2024; five positions were common to both periods. Active share was little changed at 80.9% versus 81.2% over the 12 months (this is a measure of how the trust's portfolio differs from the reference index, with 0% representing full index replication and 100% no commonality).

Exhibit 2: AUSC's top 10 holdings at 31 August 2025

Company	Industry	31-Aug-25	31-Aug-24
Morgan Sindall Group	Construction & materials	4.0	3.4
Alpha Group	Investment banking & brokerage services	3.5	N/A
Paragon Banking Group	Finance & credit services	3.5	3.3
Cranswick	Food producers	3.4	3.6
Avon Technologies	Aerospace & defence	3.3	N/A
Volution	Construction & materials	3.2	3.1
XPS Pensions	Investment banking & brokerage services	3.1	3.5
Cairn Homes	Household goods & home construction	2.9	N/A
ME Group	Leisure goods	2.8	N/A
Jet2	Travel & leisure	2.6	N/A
Total		**32.3**	**35.5**

Source: AUSC, Edison Investment Research. Note: N/A is where not in end-August 2024 top 10, but may be held elsewhere in the portfolio.

The largest sector changes in the 12 months to the end of August 2025 were a 4.5pp higher allocation to industrials, with a lower weighting in materials (-2.8pp). Industrials, which is the largest allocation in AUSC's sector, is very diverse and a good source of companies with the managers' favoured quality, growth and momentum attributes.

Exhibit 3: AUSC's sector exposure (ex-cash and gearing, % unless stated)

Sector	31-Aug-25	31-Aug-24	Change (pp)
Industrials	28.9	24.4	4.5
Consumer discretionary	20.4	19.0	1.4
Financials	20.1	22.2	(2.0)
Consumer staples	9.1	9.5	(0.4)
Technology	5.9	4.5	1.4
Telecommunications	4.1	4.2	(0.1)
Real estate	3.7	3.5	0.2
Energy	3.8	6.1	(2.3)
Basic materials	2.2	5.0	(2.8)
Healthcare	1.8	1.6	0.2
Utilities	0.0	0.0	0.0
	100.0	**100.0**	

Source: AUSC, Edison Investment Research

Recent portfolio transactions

During FY25, there were 13 new holdings and 11 complete disposals. We highlighted the first-half transactions in our March 2025 update, and those undertaken in H225 are shown below; six initiations and four exits. The portfolio additions were:

- **Alfa:** a leading global software provider to the asset finance industry including auto, equipment and wholesale finance firms.
- **Bellway:** a UK housebuilder that should benefit from an anticipated increase in mortgage affordability and a larger supply of available housing.
- **Galliford Try:** a leading UK construction group, operating in a range of sectors including education, defence, healthcare, custodial and infrastructure.
- **On the Beach:** a UK-based online travel agency, focusing on outbound package holidays to a wide range of destinations, using a variety of airlines. Growth initiatives include city breaks and trips to Ireland following a partnership with Ryanair.
- **Rotork:** a global leader in mission-critical intelligent flow controls, which sells into a wide variety of end markets including oil and gas, water and power.
- **Wickes:** a UK home improvement retailer with a strong kitchen and bathroom franchise, serving both trade and DIY customers.

The sales were: **4imprint** (a US promotion products company that is facing operational challenges, including tariffs and a lack of customer growth); **Clarksons** (a global shipping broker, where there are concerns about indirect tariffs, weaker shipping rates and delayed customer capex); **Ricardo** (a global engineering and consulting company with slowing business growth); and **Treatt** (a provider of natural extracts and ingredients that is experiencing slower demand and customer de-stocking, and has a high level of management turnover).

More recently, **Balfour Beatty** has been added to the portfolio. The company has a strong balance sheet, a diversified earnings base and a leadership position in high-growth infrastructure markets. It is well positioned to benefit from long-term structural growth in UK power, transport and defence, as well as US buildings and student accommodation. Balfour has a disciplined capital allocation framework, returning more than £940m to shareholders since 2021, with ongoing annual distributions greater than 7% of market cap. The company's end-to-end capabilities across financing, development, construction and asset management support sustainable cash generation and value creation, while it is attractively valued versus its peers.

Yeaman provides more detail on some of the areas of the portfolio that are working well, starting with defence stocks. **Chemring** is a broadly diversified provider of defence products and is benefiting from growth in its Energetics and Roke divisions. The Energetics segment is expected to see substantial revenue expansion by 2030, while Roke (specialist defence and national security) is targeting significant revenue milestones by 2028. Chemring has made a series of strategic acquisitions to enhance its product portfolio and is well positioned to benefit from a stronger UK defence budget. The company remains attractively valued compared with its European peers. **Avon Technologies** has strong operational momentum, a robust order book and improving financial metrics. The company is undergoing a transformation programme aimed at operational excellence and footprint optimisation, which is expected to yield substantial cost savings and margin improvements. Its management team is confident about achieving its medium-term targets ahead of schedule.

The trust's Infrastructure holdings are executing well and have policy tailwinds including **Galliford Try**, a UK-focused construction company with strong positions in the infrastructure and building sectors. It benefits from high visibility and quality of earnings, a robust order book, disciplined contract selection and strategic exposure to a range of regulated markets. Strong 2030 growth targets are supported by organic growth, operational efficiencies and expansion into higher-margin adjacent markets. **Morgan Sindall** has seen multiple earnings upgrades from a diversified business model, a strong balance sheet and consistent long-term growth. The company's secured and preferred bidder order book has grown, providing visibility and resilience across market cycles. **Renew** specialises in infrastructure engineering services. The company has high earnings visibility from a strong order book and exposure to non-discretionary infrastructure markets such as water, rail and energy. Renew combines organic growth with M&A, and has stable margins and high cash conversion. Its direct delivery model and focus on maintenance over capex reduces operational risk, while strategic expansion into renewables and electricity transmission enhances long-term growth potential. The managers believe this company is materially undervalued.

Yeaman also highlights the importance of having 'compounders' in the portfolio. These are companies that can generate earnings growth regardless of the economic environment. Investee companies include **Diploma** (industrial support services), **Games Workshop Group** (fantasy miniature figures and games) and **Paragon Banking** (mortgage and commercial lending). The manager says that along with solid historical and projected forward earnings growth, these companies have high margins and returns.

Performance: Hurt by a return to value stock market leadership

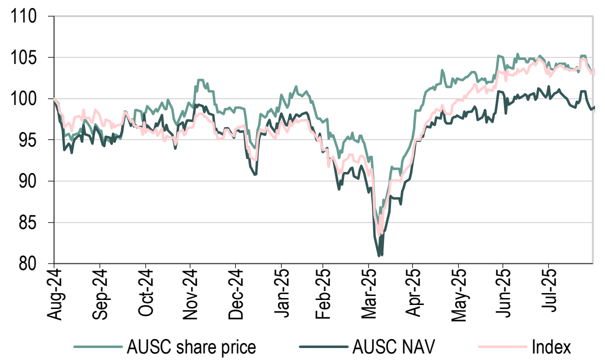
AUSC is one of the 13 funds in the 21-strong AIC UK Smaller Companies sector that has a market cap above £100m. Its NAV total return is above the mean over the last 12 months ranking sixth, but below average over the other periods shown. The trust's discount is narrower than the selected group average. AUSC's ongoing charge is below the average, and it has an above-average level of gearing. The trust's yield is 80bp lower than the 3.4% average of the nine funds that pay a dividend.

Exhibit 4: Selected peer group at 25 September 2025

% unless stated	Market cap (£m)	NAV TR 1Y	NAV TR 3Y	NAV TR 5Y	NAV TR 10Y	Discount	Ongoing charge	Performance fee	Net gearing	Dividend yield
abrdn UK Small Cos Growth	290.7	2.2	19.5	5.3	78.4	(9.6)	0.9	No	109	2.6
Aberforth Smaller Companies	1,230.4	2.6	39.4	103.3	76.9	(10.7)	0.8	No	104	3.3
Artemis UK Future Leaders	112.1	(10.4)	(2.9)	7.5	52.8	(13.2)	1.3	No	100	0.0
BlackRock Smaller Companies	529.3	(7.1)	6.2	12.8	67.0	(12.6)	0.7	No	106	3.4
BlackRock Throgmorton Trust	443.6	(2.0)	22.9	18.6	103.2	(9.8)	0.6	Yes	119	3.1
Henderson Smaller Companies	530.3	(1.3)	16.2	22.0	64.6	(9.7)	0.5	Yes	115	3.3
JPMorgan UK Small Cap Growth & Inc	405.5	5.5	35.5	42.7	117.7	(9.1)	0.6	No	113	4.8
Montanaro UK Smaller Companies	122.9	(2.6)	17.1	5.6	34.3	(10.7)	0.9	No	104	6.8
Odyssean Investment Trust	209.0	(1.0)	5.6	56.1		(6.2)	1.5	Yes	100	0.0
Oryx International Growth	183.1	4.2	31.8	50.6	187.9	(31.4)	1.4	No	100	0.0
Rights & Issues Investment Trust	101.8	(1.6)	21.0	46.0	105.4	(17.6)	1.0	No	100	2.0
Rockwood Strategic	134.0	9.4	76.4	243.0	290.1	(0.1)	1.8	Yes	100	0.0
Strategic Equity Capital	155.1	11.8	39.2	78.8	100.1	(12.8)	1.2	Yes	100	1.0
Average (13 funds)	**342.1**	**0.7**	**25.2**	**53.2**	**106.5**	**(11.8)**	**1.0**		**105**	**2.3**
Rank	**6**	**6**	**8**	**13**	**7**	**4**	**6**		**4**	**7**

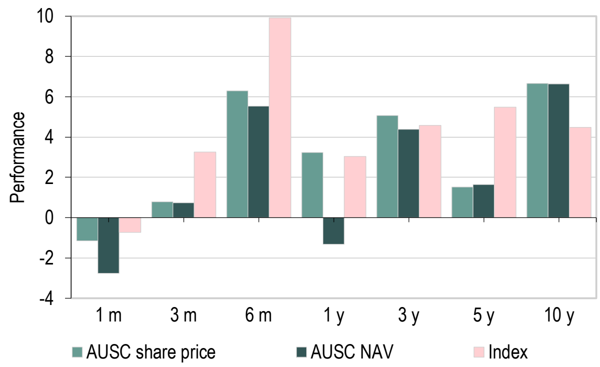
Source: Morningstar, Edison Investment Research. Note: Performance is total return.

Exhibit 5: Rebased one-year price, NAV and index total return to 31 August 2025



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 6: Share price, NAV and index total return performance (%)



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised. Index is Deutsche Numis Smaller Cos plus AIM ex-Inv Cos (Deutsche Numis Smaller Cos ex-Inv Cos to end of 2017).

AUSC's relative returns are shown in Exhibit 7. The trust has given up some ground in the last six months as investors once again turned their attention to value rather than growth stocks. This strategy bias had a negative effect on AUSC's five-year results but, over the last decade, the trust retains a significant performance lead versus its reference index.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to index*	(0.4)	(2.4)	(3.3)	0.2	1.5	(17.4)	22.9
NAV relative to index*	(2.1)	(2.4)	(4.0)	(4.2)	(0.5)	(16.9)	22.5
Price relative to Numis Smaller Cos plus AIM ex-ICs	(0.4)	(2.4)	(3.3)	0.2	1.5	(17.4)	19.3
NAV relative to Numis Smaller Cos plus AIM ex-ICs	(2.1)	(2.4)	(4.0)	(4.2)	(0.5)	(16.9)	18.9
Price relative to CBOE UK Smaller Companies	(0.5)	(3.0)	(6.1)	(3.2)	(16.2)	(49.2)	(19.0)
NAV relative to CBOE UK Smaller Companies	(2.2)	(3.0)	(6.8)	(7.5)	(17.9)	(48.9)	(19.3)
Price relative to CBOE UK All Companies	(2.6)	(5.1)	(1.0)	(8.9)	(17.3)	(40.6)	(9.9)
NAV relative to CBOE UK All Companies	(4.2)	(5.2)	(1.7)	(12.9)	(18.9)	(40.2)	(10.2)

Source: LSEG Data & Analytics, Edison Investment Research. Note: Data to end February 2025. Geometric calculation. *Index is Deutsche Numis Smaller Cos plus AIM ex-Inv Cos (Deutsche Numis Smaller Cos ex-Inv Cos to 31 December 2017).

In FY25 (ending 30 June), AUSC's NAV and share price total returns of +6.8% and +11.4% respectively compared with the reference index's +7.8% total return. The trust's NAV outperformed the reference index by 1.1pp in H125, but faced a more difficult investment backdrop in H225 as value rather than growth shares led the UK market.

The largest positive contributors to AUSC's FY25 relative performance were: Morgan Sindall (+195bp, robust results across its diversified divisions led to multiple profit upgrades); Games Workshop Group (+98bp, solid trading and successfully rolling out its growth initiatives including a partnership with Amazon and international expansion); XPS Pensions (+93bp, double-digit revenue growth helped by increasing market share); Jet2 (+73bp, robust operational performance and outlook, and a 9% share repurchase programme); and Alpha Group (+65bp, a well-received new CEO and a takeover bid).

On the other side of the ledger, the largest detractors to the trust's relative performance were: Ashtead Technology (-158bp, solid results but lack of estimate upgrades and a technical overhang ahead of an upcoming move from AIM to the Main Market); Next 15 Group (-94bp, lack of a major contract renewal and macroeconomic pressures); Hunting (-81bp, concerns about US tariffs, a difficult macroeconomic backdrop and oil price volatility); 4imprint (-70bp, as noted above, concerns about US tariffs and a lack of customer growth); and Gamma Communications (-58bp, a weaker UK SME trading environment and technical selling due to a move from AIM to the Main Market).

Exhibit 8: Five-year total return performance (%)

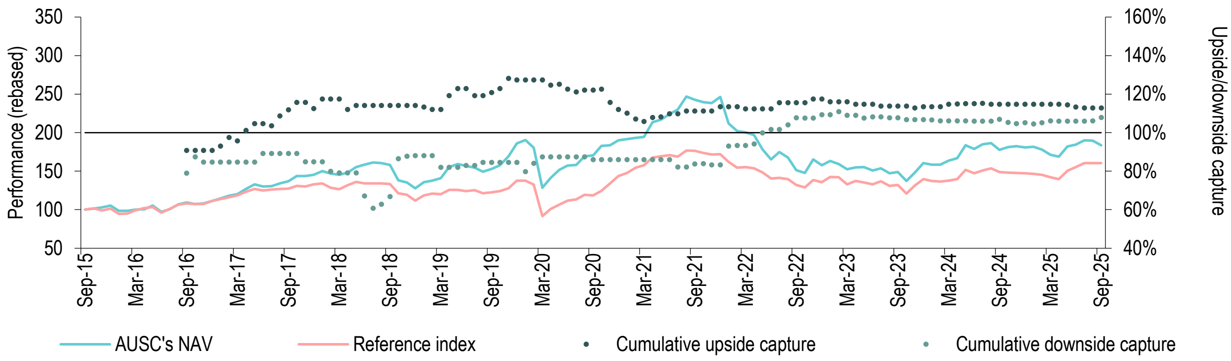
12 months ending	Share price	NAV	Index*	CBOE UK Smaller Cos	CBOE UK All Cos
31/08/21	47.3	46.3	47.6	66.6	27.1
31/08/22	(36.9)	(34.8)	(22.6)	(7.9)	1.8
31/08/23	(11.8)	(8.1)	(3.2)	(0.1)	5.5
31/08/24	27.4	25.4	14.6	29.9	17.3
31/08/25	3.2	(1.3)	3.0	6.7	13.4

Source: LSEG Data & Analytics, Edison Investment Research. Note: All percentages on a total return basis in pounds sterling. *Index is Deutsche Numis Smaller Companies plus AIM ex-investment companies.

AUSC's upside/downside capture

Exhibit 9 shows AUSC's upside/downside capture rates over the last decade. Its upside capture rate of 119% suggests that during periods when UK small-cap shares are rallying, the trust is likely to outperform by around 20%. The lower 112% downside capture rate implies that AUSC is likely to underperform the market by around 10% during periods of UK small-cap share price weakness.

Exhibit 9: AUSC's upside/downside capture



Source: LSEG Data & Analytics, Edison Investment Research
Note: Cumulative upside/downside capture is calculated as the geometric average NAV total return (TR) of the fund during months with positive/negative reference index TRs, divided by the geometric average reference index TR during these months. A 100% upside/downside indicates that the fund's TR was in line with the reference index's during months with positive/negative returns. Data points for the initial 12 months have been omitted in the exhibit due to the limited number of observations used to calculate the cumulative upside/downside capture ratios.

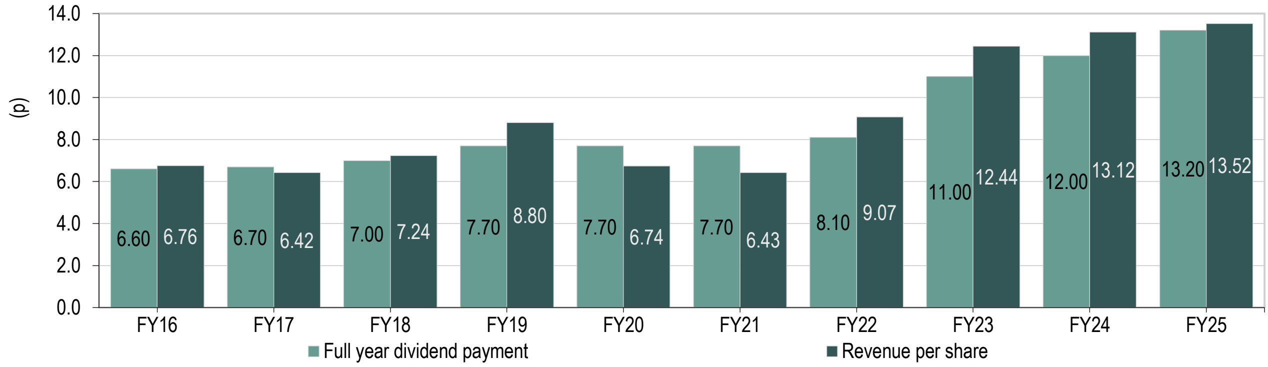
Dividends: Further dividend progression in FY24

In FY25, AUSC's revenue earnings were 13.52p per share, which was 3.0% higher year-on-year, and included 0.96p per share (7.6% of the total) from share repurchases. An important feature is that the majority of the trust's income is recurring, as only 4.7% of the FY25 income was from special dividends. A decade ago, special dividends made up around 20% of income, but now share repurchases are the preferred method for companies to return excess cash to shareholders.

AUSC pays semi-annual dividends in April and October. The board aims to pay out around a third of the total annual distribution as the interim dividend, with around two-thirds as the final dividend. It is proposing an FY25 full-year dividend of 13.20p per share, which is 10.0% higher year-on-year. However, due to a lower share count as a result of buybacks, the cost of the dividend will fall by nearly 10%, allowing £1.4m to be added to revenue reserves.

During FY25, AUSC received shareholder and subsequent court approval for its c £170m share premium account to be transferred into a distributable reserve. This will be available to fund share buybacks or dividends if required. The board has no current plans to utilise this distributable reserve as it aims to pay dividends out of income (which it has done in seven out of the last 10 years) and revenue reserves.

Exhibit 10: AUSC's 10-year dividend and revenue history

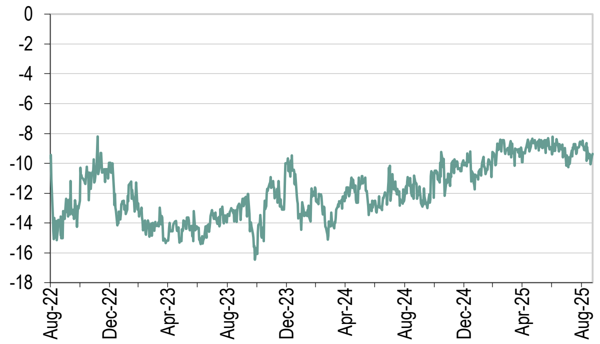


Source: AUSC, Edison Investment Research

Discount: Gradually moving to a higher valuation

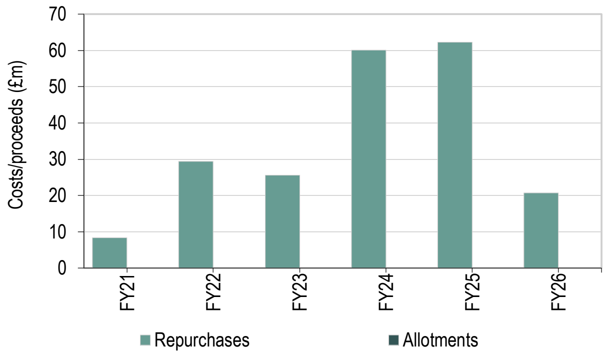
AUSC's discount has been in a narrowing trend since Q124 (Exhibit 11) and, at 9.6%, is at the narrower end of the 8.2–16.5% three-year range. The current discount compares with the 9.9%, 11.8%, 10.2% and 8.0% average discounts over the last one, three, five and 10 years respectively. The board employs a discount control mechanism, targeting a maximum 8.0% share price discount to cum-income NAV in normal market conditions.

Exhibit 11: Discount over three years (%)



Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 12: Buybacks and issuance



Source: Morningstar, Edison Investment Research

Renewed annually, the board has the authority to repurchase up to 14.99% of AUSC's share capital. During FY25, around 12.5m shares (c 16.8% of the share base) were bought back at a cost of approximately £62.6m. The weighted average discount at which the shares were repurchased was 10.2% and the board calculates that this added 9.8p/share to the trust's NAV. Given the pace of share buybacks, the board convened a general meeting on 21 May 2025 at which shareholders approved an additional 14.99% share repurchase authority. This will lapse at the next AGM in November 2025, at which time the board will seek a new authority. The trust also has a discretionary tender mechanism in place, although no tenders have taken place since June 2015, as share buybacks are the primary method to manage AUSC's discount.

Fund profile: High-conviction UK small-cap equities

Launched in August 1993, AUSC is quoted on the Main Market of the London Stock Exchange. Since 1 January 2023, the trust has been managed by Abby Glennie, who replaced long-standing lead manager Harry Nimmo; they had worked closely together since January 2016, and Glennie had been AUSC's co-manager since 17 November 2020. Amanda Yeaman is the trust's deputy manager. She joined Aberdeen in 2019. Glennie and Yeaman aim to generate long-term capital growth from a diversified portfolio of UK-quoted smaller companies.

AUSC's portfolio is made up of around 50 of the managers' highest-conviction investment ideas. The trust's performance is measured against the Deutsche Numis Smaller Companies plus AIM ex-Investment Companies Index (the Deutsche Numis Smaller Companies ex-Investment Companies Index before 1 January 2018). To mitigate risk, at the time of purchase, AUSC may hold no more than 5% of total assets in a single position, no more than 5% in companies with a market cap below £50m and the managers tend not to invest in 'blue sky' (not yet profitable) companies, although up to 5% is permitted. Up to 50% of the portfolio may be invested in companies that are constituents of the broad AIM index. The managers may vary the trust's level of gearing between a net cash position of 5% and net gearing of 25% of NAV (at the time of drawdown). Over the last decade, the financial year-end position has ranged from 0.3% net cash to 6.6% net gearing.

AUSC started life as Edinburgh Smaller Companies in 1993, with Standard Life Investments (now Aberdeen) assuming management in 2003. The trust merged with Gartmore Smaller Companies Trust in 2009 and with Dunedin Smaller Companies Investment Trust in October 2018.

Investment process: Using the proprietary Matrix

The managers follow six principles for successful small-cap investing:

1. **Sustainable growth:** provides opportunities for companies to compound growth in earnings and dividends, which also helps to reduce volatility.
2. **Quality:** has the potential to enhance returns and reduce risk. Factors include strong financials, the strength of a company's relationship with its customers and pricing power. Companies with high or unsustainable debt levels are generally avoided.
3. **Buy for the long term:** identify the great companies of tomorrow and hold them for the long term, which helps to maximise returns and reduce trading costs.
4. **Concentrate the effort:** use of the Matrix helps identify suitable portfolio companies and reduces the risk of spending on stocks that do not meet the required criteria.
5. **Management longevity:** founders retaining positions of authority after floatation, and CEOs with long tenures are viewed positively.
6. **Valuation aware:** company valuations are embedded within the Matrix and considered in all investment decisions.

In their search for long-term capital growth, Glennie and Yeaman use the Matrix. This screening tool is based on a series of 12 quality, growth, momentum and valuation factors, including forecast earnings and dividend growth, earnings revisions, share price momentum, balance sheet strength and the level of directors' dealing, to whittle down the investible universe of around 500 stocks to around 100 that are deemed worthy of further consideration. The most important factor, at c 40% of the Matrix weighting, is earnings revision momentum because back-testing shows this is the most predictive measure of future share price performance. Stocks are assigned a Matrix score between +40 and -40, with those between +10 and +40 deemed potential buy candidates and those between -10 and -40 potential sells. Companies considered for inclusion in AUSC's portfolio are subject to further in-depth analysis and meeting company managements is an integral part of the research process. In keeping with other Aberdeen investment teams, the managers have a strong focus on a company's ESG credentials.

Positions may be trimmed or sold if there is a deterioration in the Matrix score, the original investment thesis no longer holds true, they have grown to more than 5% of the portfolio or there is a higher-conviction name identified. The disciplined investment process has been employed since Aberdeen took over management of the fund in 2003 and has delivered creditable performance through economic and market cycles.

AUSC's approach to ESG

Aberdeen has more than 800 investment professionals, including c 50 ESG specialists around the world. It encourages companies in which it invests to adhere to best practice in the areas of ESG stewardship. Aberdeen believes this can be achieved by entering into a dialogue with company managements to encourage them, where necessary, to improve their corporate standards, transparency and accountability. By making ESG central to its investment capabilities, Aberdeen seeks to deliver robust outcomes as well as actively contributing to a fairer, more sustainable world. It considers that ESG factors are financially material and affect corporate performance; companies that have higher standards tend to outperform those that do not. The managers explain that for AUSC, ESG is really embedded at the core of the research process and is an important aspect of the focus on quality and the lower-risk approach. There is an ESG specialist on Aberdeen's small-cap desk, and the managers also work closely with Aberdeen's large and knowledgeable central ESG investment team. Glennie and Yeaman regularly engage with company management teams, including on ESG aspects. They say that it is important to highlight a couple of nuances for smaller companies. While external ESG data are used, it is not an ideal process because many of the companies are not covered at all, or are covered badly, providing a real opportunity for the managers to add value by conducting fundamental ESG research themselves. Also, smaller companies often have limited internal resources to focus on ESG, so many are keen to engage with the managers, who are able to advise about and encourage them towards those ESG aspects required by shareholders.

Gearing

AUSC had a £40m unsecured revolving credit facility with Royal Bank of Scotland International, which was due to expire on 1 November 2025. Since the end of FY25, the loan facility was replaced by a new £40m secured evergreen facility with Bank of America. The board regularly reviews the terms and costs of the loan facility to ensure it remains appropriate. Currently, the whole £40m is drawn down.

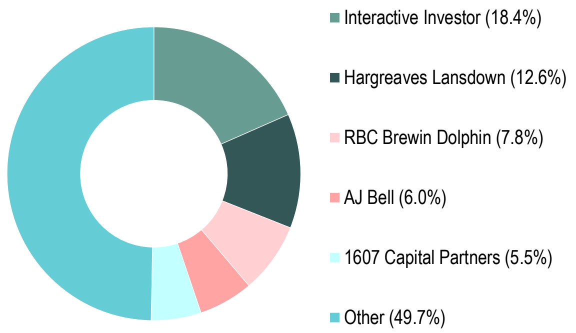
Fees and charges

With effect from 1 April 2025, the management fee is 0.60% per year on the first £200m of NAV and 0.55% per year above £200m of NAV (previously 0.75% per year on the first £175m, 0.65% per year on NAV between £175m and £550m, and 0.55% per year above £550m). Based on AUSC's 30 June 2025 NAV, the annual management fee is reduced by 17.3%. In FY25, the trust's ongoing charges ratio (OCR) was 0.85%, which was 7bp lower than 0.92% in FY24. This was due to both the lower management fee and lower administrative expenses. If the lower management fee had been in place for the whole of FY25, the OCR would have been 0.78% (14bp lower year-on-year).

Capital structure

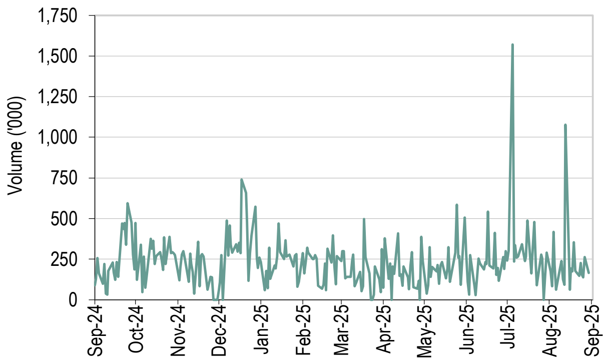
AUSC is a conventional investment trust with one class of share. There are c 57.3m ordinary shares in issue and c 46.8m held in treasury. Its average daily trading volume over the last 12 months is c 240k shares.

Exhibit 13: Major shareholders at 31 August 2025



Source: Bloomberg, Edison Investment Research

Exhibit 14: Average daily volume, 12 months to 25 September 2025



Source: LSEG Data & Analytics, Edison Investment Research

The board

Exhibit 15: AUSC's board at end FY25

Board member	Date of appointment	Remuneration in FY25	Shareholding at end FY25
Liz Airey (chair since 31 March 2020)	21 August 2019	£43,700	50,000
Tim Scholefield	20 February 2017	£31,500	8,200
Ashton Bradbury	2 July 2018	£29,500	10,000
Alexa Henderson	8 October 2018	£29,500	9,934
Manju Malhotra	1 May 2023	£35,200	Nil

Source: AUSC

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