

Investment Objective: To achieve long term capital growth by investment in UK quoted smaller companies.

Reference Index: The Numis Smaller Companies Index (excluding Investment Companies).

Features of the Trust: The Trust invests in an actively managed portfolio of smaller and mid sized companies in the UK equity market. The Trust is designed to produce long term capital growth.

The portfolio will normally comprise around 60 individual holdings representing the Investment Manager's highest conviction investment ideas.

UK - Investment
TrustUK Smaller
Companies

Monthly

Fund Manager	Harry Nimmo	Sedol (CULS)	B3YXOW7
Launch Date	1993	Reuters	SLS.L
Sedol (Ordinary shares)	0295958	Reuters (CULS)	SLSCls.L

Standard Life UK Smaller Companies Trust plc ('the Company') currently conducts its affairs so that securities issued by it can be recommended by financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are securities in a UK listed investment trust.

This document is intended for use by individuals who are familiar with investment terminology. Standard Life 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.

Trust Information

as at 31 December 2017	
Trust Managers	Standard Life Investments (Since 01/09/2003)
Gross Assets	£404.9million (Source: Standard Life Investments)
Borrowing	£35.8million (Source: Standard Life Investments)
Market Capitalisation	£343.8million (Source: Standard Life Investments)
Share Price	497.0p (Source: Standard Life Investments)
CULS Price#	194.5p (Source: Standard Life Investments)
Net Asset Value*	512.7p (Source: Standard Life Investments)
(Discount)/Premium	(3.1) (Source: Standard Life Investments)
	12 Month High 1.7 % (Source: Datastream)
	12 Month Low (9.7)% (Source: Datastream)
Yield (Net)	1.3% (Source: Standard Life Investments)
Current Equity Net Gearing	9.8% (Source: Standard Life Investments)
The levels of gearing and yield change on a daily basis.	
Dividends Semi Annually	April/October
Trust Annual Management Fee	0.85% on Gross Assets up to £250 million, 0.65% on Gross Assets above £250 million
CULS Conversion Price	237.2542p
CULS Conversion and Interest Payment Dates	31 March and 30 September
Active Share percentage~	91.2%

*Diluted net asset value including income
#3.5% Convertible Unsecured Loan Stock 2018 (CULS)
~The 'Active Share' percentage is a measure used to describe what portion of the portfolio's holdings differ from the reference index holdings.

Portfolio Breakdown - Sector 31 December 2017

Sector	Portfolio (%)
Industrials	28.3
Consumer Services	17.9
Consumer Goods	16.4
Information Technology	13.8
Health Care	11.8
Financials	6.8
Telecoms	3.8
Cash & Other	1.2

Top Twenty Holdings

Stocks	Portfolio (%)
First Derivatives	4.4
Fevertree Drinks	3.8
NMC Health	3.7
Sanne	3.4
Dechra Pharmaceuticals	3.2
Cranswick	3.2
XP Power	3.0
Hilton Food	2.9
RWS	2.8
Workspace	2.7
JD Sports	2.7
Midwich	2.7
Abcam	2.6
Accesso Technology	2.4
Marshalls	2.2
Gamma Communications	2.2
Hill & Smith	2.2
CVS	2.2
Smart Metering Systems	2.1
Greggs	2.1
Total	56.5

Composition by Market Capitalisation (Ex Cash)

	Portfolio %
FTSE 100	3.7
FTSE 250*	5.6
Numis Smaller Companies	47.9
AIM	41.9
Non-Index	0.9

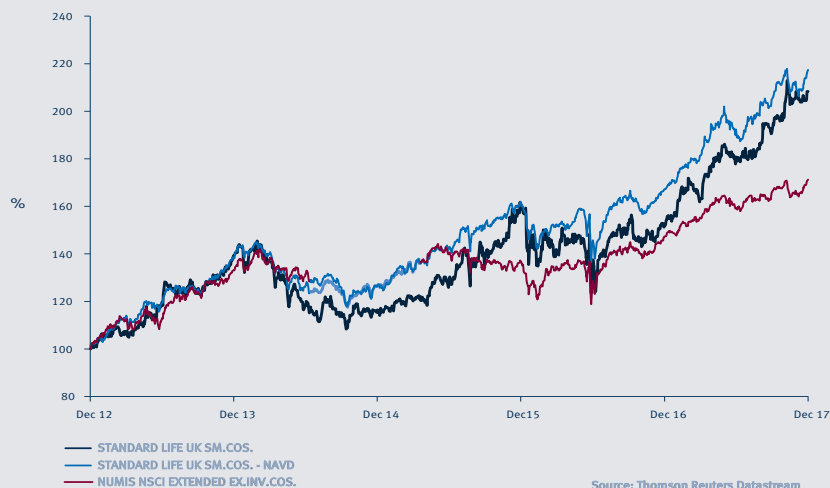
*FTSE 250 are mid cap holdings that are above the threshold for Numis Smaller Companies holdings.

Trust Information (Continued)

Ten Largest Positions Relative to the Reference Index

Overweight Stocks	Portfolio %	Ref Index %	Relative %	Overweight Stocks	Portfolio %	Ref Index %	Relative %
First Derivatives	4.4	0.0	4.4	JD Sport	2.7	0.0	2.7
Fevertree Drinks	3.8	0.0	3.8	Midwich	2.7	0.0	2.7
NMC Health	3.7	0.0	3.7	Abcam	2.6	0.0	2.6
RWS	2.8	0.0	2.8	XP Power	3.0	0.4	2.6
Sanne	3.4	0.6	2.8	Hilton Food	2.9	0.4	2.5

5 Year Trust Performance - Price Indexed



Performance

Source: Thomson Reuters Datastream, capital returns. The percentage growth figures above are calculated over periods to 31 December 2017 on a mid to mid basis.

	3 months (%)	1 Year (%)	2 Years (%)	3 Years (%)	4 Years (%)	5 Years (%)
SL UK Smaller Companies Trust (Share Price)	9.4	37.0	29.8	78.9	49.6	108.4
SL UK Smaller Companies Trust (NAV)	6.1	30.0	34.9	72.0	57.5	117.4
Numis Smaller Companies (ex Investment Cos)	3.4	16.2	25.5	34.9	28.7	71.3

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.

Investment Review & Outlook

Environment

UK small-cap stocks ended the quarter in positive territory, but marginally underperformed their large-cap counterparts. Overall, the strengthening global economy and an agreement between the UK and the EU on the size of the so-called Brexit 'divorce bill' underpinned investor sentiment. With the first phase of negotiations complete, both parties can now proceed to the next stage, which will attempt to formulate the shape of a future trade deal.

Turning to the UK economy, annualised GDP growth for the three months to end September surprised at 1.7%, consensus had predicted 1.5%. Inflation overshot the Bank of England's (BoE) 2.0% target, with a rise of 3.1% in November - its sharpest increase in six years. However, analysts believe that inflation may have peaked, which is in line with the BoE's forecast. Elsewhere, the International Monetary Fund (IMF) reduced its long- and short-term growth estimates for the UK, citing the UK's decision to leave the EU as a key negative factor. The government was quick to dismiss these downgrades by pointing out that the IMF had a history of overstating the effect of Brexit on the economy.

The BoE increased its benchmark lending rate by a quarter point to 0.5% in November - the first such increase since the global financial crisis. BoE Governor Mark Carney explained that the decision was a response to rising inflation. However, he also noted that future rate rises would be gradual, as inflation is expected to ease back in the coming months.

Activity

We purchased used-car supermarket Motorpoint Group, with the company trading strongly and scoring well on the Matrix, our quant-based research tool. We continued to build our holding in Hotel Chocolat, which is trading well. The rollout of its coffee-shop format is also proving a success. Elsewhere, we took part in the placing by RWS, the leading language support services company, as part of its acquisition of Czech firm Moravia. In our view, this is a major earnings-enhancing deal, giving RWS a more profitable and diverse sales base.

Regarding sales, we reduced the holding in NMC Healthcare: the company is now trading on the FTSE 100 Index and therefore no longer suitable for our small-cap fund. This does demonstrate part of our ethos, however, whereby we seek to tomorrow's successful companies while they are still relatively small.

Performance

A position in First Derivatives performed well thanks to ongoing enthusiasm for its Big Data products. Meanwhile, Smart Metering Systems found its shares in demand after releasing an upbeat trading update. Aviation services company Dart Group was another strong performer after delivering good results. It also said future earnings would be materially ahead of earnings forecasts. Finally, positive results and earning upgrades lifted XP Power, a leading supplier of essential power control solutions.

On the downside, online pharmacy CVS's shares lost momentum after it announced a modest profit warning. Elsewhere, JD Sports continue to struggle along with the wider retail sector as weakening consumer confidence hit demand.

Outlook

UK smaller companies continue to trade well, with high valuations supported by good growth across the economy and listed businesses. There remain challenges ahead with Brexit, but inflation levels should start to ease, while sterling has been slowly strengthening again. In addition, consumer confidence and retail sales are holding up better than many feared.

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