

## Key risk factors

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

The Company's investments may be subject to liquidity constraints, which means that shares may trade less frequently and in small volumes, for instance smaller companies. As a result, changes in the value of investments may be more unpredictable. In certain cases, it may not be possible to sell the security at the last market price quoted or at a value considered to be fairest.

Overseas investments will be affected by currency exchange rate fluctuations.

The Company may from time to time utilize gearing. A fuller definition of gearing is given in the glossary.

**NMPI status** The Company currently conducts its affairs so that its securities can be recommended by IFAs (Independent Financial Advisers) to ordinary retail investors in accordance with the Financial Conduct Authority rules in relation to non-mainstream pooled investments (NMPI) and intends to continue to do so for the foreseeable future. The securities are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream pooled investments because they are shares in an investment trust.

The latest performance data can be found on the BlackRock Investment Management (UK) Limited website at: [blackrock.com/uk/brsc](https://blackrock.com/uk/brsc).

The information contained in this release was correct as at 28 February 2022. Information on the Company's up to date net asset values can be found on the London Stock Exchange Website at: <https://www.londonstockexchange.com/news?tab=news-explorer>

## Company objective

To achieve long term capital growth for shareholders through investment mainly in smaller UK quoted companies.

### Fund information (as at 28/02/22)

Net asset value capital only (debt at par value)	1,856.27p
Net asset value capital only (debt at fair value)	1,860.54p
Net asset value incl. income (debt at par value <sup>1</sup> )	1,878.69p
Net asset value incl. income (debt at fair value <sup>1</sup> )	1,882.96p
Share price	1,684.00p
Discount to NAV incl. income (debt at par value)	10.4%
Discount to NAV incl. income (debt at fair value)	10.6%
Net yield <sup>2</sup>	2.0%
Gross assets <sup>3</sup>	£1,026.8m
Gearing range as a % of net assets	0-15%
Net gearing including income (debt at par)	4.3%
Ongoing charges ratio <sup>4</sup>	0.8%
Issued capital – ordinary shares (excluding shares in treasury) <sup>5</sup>	48,829,792

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

<sup>1</sup> includes net revenue of 22.42p.

<sup>2</sup> Yield calculations are based on dividends announced in the last 12 months as at the date of release of this announcement and comprise the final dividend of 20.5 pence per share (announced on 7 May 2021, ex-dividend on 20 May 2021, paid on 18 June 2021) and the first interim dividend of 13.0 pence per share (announced on 2 November 2021, ex-dividend on 11 November 2021, and pay date 2 December 2021).

<sup>3</sup> includes current year revenue.

<sup>4</sup> As reported in the Annual Financial Report for the year ended 28 February 2021 the Ongoing Charges Ratio (OCR) was 0.8%. The OCR is calculated as a percentage of net assets and using operating expenses, excluding performance fees, finance costs and taxation.

<sup>5</sup> excludes 1,163,731 shares held in treasury.

## Annual performance to the last quarter end (as at 31 December 2021)

	31/12/20 31/12/21 %	31/12/19 31/12/20 %	31/12/18 31/12/19 %	31/12/17 31/12/18 %	31/12/16 31/12/17 %
Net asset value	27.9	4.2	32.2	-11.7	33.3
Share price	24.0	4.1	45.8	-6.2	38.3
Benchmark <sup>1</sup>	20.0	4.9	22.2	-15.8	21.9

## Cumulative performance (as at 28/02/22)

Sterling	1M%	3M%	1Y%	3Y%	5Y%
Net asset value	-4.4	-8.9	7.8	42.8	67.2
Share price	-7.5	-13.7	0.9	34.8	75.7
Benchmark <sup>1</sup>	-4.9	-7.0	1.5	28.5	34.6

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Source: BlackRock and Datastream, 28 February 2022

<sup>1</sup> The Company's benchmark is the Numis Smaller Companies plus AIM (ex Investment Companies).

The annual Net Asset Value (NAV) performance statistics to the last quarter end in the first table above are based on a NAV including income and with debt at par, with any dividends reinvested on the ex-dividend date, net of ongoing charges and any applicable performance fee. The annual Net Asset Value (NAV) performance statistics in the second table above are based on a NAV including income and with debt at fair value, with any dividends reinvested on the ex-dividend date, net of ongoing charges and any applicable performance fee.

Share price performance calculations also include dividend reinvestment. The debenture stock and long dated notes issued by the Company are valued at par which represents the value due to be paid to holders of the debt at maturity. The debenture and the long dated notes are forms of long term loan. Additional definitions are given in the glossary.

A fuller definition of ongoing charges, which includes the annual management fee, is given in the glossary. Details of the management fee are given in the key company details section overleaf. Share price performance figures are calculated on a mid market basis in sterling terms with income reinvested on the ex-dividend date.

The performance of the Company's portfolio, or NAV performance, is not the same as share price performance and shareholders may not realise returns which are the same as NAV performance. The latest performance data can be found on the BlackRock Investment Management (UK) Limited website at: [blackrock.com/uk/brsc](https://blackrock.com/uk/brsc).



Money Observer's Rated Funds recognise open-ended funds and closed-ended investment companies that have demonstrated consistent outperformance or that have been chosen as ideal routes into specific markets and sectors in the current investment environment.

Effective date: 7 February 2020



Highly commended (runner up) in the Moneywise Investment Trust Awards 2020.

Effective date: 29 March 2020

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

## Comments from the Portfolio Manager, Roland Arnold

Please note that the commentary below includes historic information on the Company's NAV performance and index performance.

### **The figures shown relate to past performance. Past performance is not a reliable indicator of future results.**

During February the Company's NAV per share fell by -4.4%<sup>1</sup> to 1,882.96p on a total return basis with debt at fair value, while our benchmark index fell by -4.9%<sup>1</sup>; for comparison the FTSE 100 Index rose by 0.3%<sup>1</sup> on a total return basis.

Market volatility remained high during February, driven by a combination of hawkish pivots by developed market central banks and concerns over Russian-Ukraine tensions. The oil price pushed through US\$100/barrel and bond yields moved lower as a result of Russia's invasion, with the ultimate outcome being a firm risk-off move across markets. Inflation remained a key issue, with headline CPI (Consumer Price Index) in the UK coming in at +5.5% year-on-year for January, and the Bank of England hiked the base rate by another +25bps.

The portfolio benefited from the rise in M&A (Merger & Acquisition) activity during the month with two of our holdings receiving bids. First was Clipper Logistics which received an offer from US listed GXO Logistics, followed by Oxford Instruments which soared after the company received a bid at a sizeable premium from rival Spectris, although this bid was swiftly retracted given market conditions. YouGov rose during February after the company issued a positive update at the end of January which highlighted growth across all divisions and upgraded full year guidance.

The escalation of the conflict between Russia and Ukraine towards the end of the month saw an early flight to safety with investors exiting risk assets. As a result, recent strong performers such as Team17 were sold off during the month. Shares in veterinary practitioner CVS Group fell after the CMA (Competition and Markets Authority) announced findings that their recent acquisition of Quality Pet Care Ltd, which consists of eight practices in the UK, raised competition concerns in the vet market. CVS has subsequently offered to divest from the business and the CMA has until May to decide whether to accept the proposal, however, the findings of the investigation were clearly disappointing to the market and the investment case for CVS.

The escalation of the conflict between Russia and Ukraine has introduced a new source of uncertainty just as the world appeared to be emerging from the challenges caused by the COVID-19 pandemic over the past two years. It goes without saying the situation remains extremely fluid with little clarity on how things will play out, but it is likely that market volatility will remain high. In the medium-term, the conflict adds further inflationary pressures, and it brings with it questions over the path for monetary policy. Despite

the new challenges that have emerged we have not significantly changed portfolio positioning. We feel that the best investments in the current environment are similar to those held during the COVID-19 pandemic; high quality, nimble businesses, operated by entrepreneurial management teams, with strong market positions and resilient cash-flows. Our view on consumer spending has moderated in recent months given the increasing inflationary pressures that are faced by households. As a result, we have been reducing some holdings here at the margin, and we will use the proceeds to add to some of our highest conviction holdings that we feel have been oversold in the recent sell-off. Whilst the confusing and chaotic backdrop brings challenges, we believe the businesses we invest in have the capability to rise above the short-term noise. We thank shareholders for your ongoing support and look forward to providing further confirmation of the investment cases that we are exposed to within the portfolio in the coming months.

Unless otherwise stated all data is sourced from BlackRock as at 28 February 2022.

<sup>1</sup> Source: Datastream as at 28 February 2022

Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

**Risk:** Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

## Ten Largest Equity Investments (as at 28/02/22)

Company	% of portfolio
Oxford Instruments	2.5
Watches of Switzerland	2.4
Gamma Communications	2.3
Trealt	2.1
Next Fifteen Communications	2.0
4imprint Group	2.0
Impax Asset Management	2.0
YouGov	1.9
CVS Group	1.9
Breedon	1.8

Sector allocations (as at 28/02/22)	% of portfolio
Industrials	29.8
Consumer Discretionary	22.3
Financials	14.5
Technology	9.8
Consumer Staples	6.9
Basic Materials	4.9
Energy	4.8
Health Care	3.4
Telecommunications	2.3
Real Estate	1.3
Total	100.0

Allocations are as of date shown and do not necessarily represent current or future portfolio holdings. **Risk:** The specific companies identified and described above do not represent all of the companies purchased or sold, and no assumptions should be made that the companies identified and discussed were or will be profitable. This should not be construed as investment advice or investment recommendation of those companies.

A full disclosure of portfolio investments for the BlackRock Smaller Companies Trust plc as at 31 December 2021 has been made available on the Company's website at the link given below:

<https://www.blackrock.com/uk/individual/literature/policies/brsct-portfolio-disclosure.pdf>

Country allocations (as at 28/02/22)	% of total assets
United Kingdom	99.4
United States	0.6
<b>Total</b>	<b>100.0</b>

Allocations are as of date shown and do not necessarily represent current or future portfolio holdings.

## Key company details

### Fund characteristics:

Launch date	May 1906
Dealing currency	Sterling
Association of Investment Companies sector (AIC)	UK Smaller Companies
Benchmark	Numis Smaller Companies plus AIM (ex Investment Companies)
Traded	London Stock Exchange

### Management:

Alternative Investment Fund Manager (with effect from 2 July 2014)	BlackRock Fund Managers Limited
Portfolio manager	Roland Arnold

Annual management fee	BlackRock receives an annual fee which is calculated based on 0.60% in respect of the first GBP 750m of the Company's total assets less current liabilities, reducing to 0.50% thereafter. There are no performance fee arrangements in place.
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### Financial calendar:

### Fund codes:

Year end	28 February	ISIN	GB0006436108
Results announced	October/ November (half yearly) April/May (final)	Sedol	0643610
Annual General Meeting	June	Bloomberg	BRSC:LN
		Reuters	BRSC.L
Dividends paid	December and June	Ticker	BRSC/LON

## Want to know more?

[blackrock.com/uk/brsc](https://blackrock.com/uk/brsc) | Tel: 0207 743 3000 | [cosec@blackrock.com](mailto:cosec@blackrock.com)

## Glossary of Terms

### AIM

AIM is the London Stock Exchange's international market for smaller growing companies. The AIM market has no restrictions on market capitalisation, and financial reporting is more flexible than for companies listed on the main market of the London Stock Exchange.

### Debenture and Long Term Note

Debentures are a common form of long-term loan that can be taken out by a company. These loans are normally repayable on a fixed date and pay a fixed rate of interest. The Company has in issue a £15 million debenture that will be redeemed in 2022, and carries an interest cost of 7.75%.

A long term note is also a form of long term loan. The Company has in issue a £25 million long term note which redeems in 2037 and carries an interest cost of 2.74%, a £20 million long term note which redeems in 2044 and carries an interest cost of 2.41% and a £25 million long term note which redeems in 2046 and carries an interest cost of 2.47%.

### Discount/Premium

Investment trust shares frequently trade at a discount or premium to the NAV. This occurs when the share price is less than (a discount) or more than (a premium) the NAV. The discount or premium is the difference between the share price (based on mid-market share prices) and the NAV, expressed as a percentage of the NAV. Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

### Gearing

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a long-term view on a sector or to take advantage of a favorable situation or a particularly attractive stock without having to sell existing investments. Gearing works by magnifying the company's performance. If a company 'gears up' and then markets rise and the returns on the investments outstrip the costs of borrowing, the overall returns to investors will be even greater. But if markets fall and the performance of the assets in the portfolio is poor, then losses suffered by the investor will also be magnified.

### Net yield

The net yield is calculated using total dividends declared in the last 12 months (as at date of this factsheet) as a percentage of the month end share price.

### NAV (Net Asset Value) and diluted NAV

A company's undiluted NAV is its available shareholders' funds divided by the number of shares in issue (excluding treasury shares), before making any adjustment for any potentially dilutive securities which the Company may have in issue, such as subscription shares, convertible bonds or treasury shares. A diluted NAV is calculated on the assumption that holders of any convertibles have converted, subscription shares have been exercised and treasury shares are re-issued at the mid-market price, to the extent that the NAV per share is higher than the price of each of these shares or securities and that they are 'in the money'. The aim is to ensure that shareholders have a full understanding of the potential impact on the Company's NAV if these instruments had been exercised on a particular date.

### Ongoing charges ratio

Ongoing charges (%) =

$$\frac{\text{Annualised ongoing charges}}{\text{Average undiluted net asset value in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management fee.

### Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a Company's total issued share capital amount for the purpose of calculating percentage ownership. Treasury stock may have come from a repurchase or buyback from shareholders, or it may have never been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

## Risk Warnings

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

## Trust Specific Risks

**Smaller companies Risk.** Smaller company investments are often associated with greater investment risk than those of larger company shares.

**Gearing Risk.** Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall.

**Liquidity Risk.** The Company's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Company may not be able to realise the investment at the latest market price or at a price considered fair.

## Important Information

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Net Asset Value (NAV) performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

BlackRock Smaller Companies Trust plc currently conducts its affairs so that their securities can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to nonmainstream investment products and intend to continue to do so for the foreseeable future. The securities are excluded from the Financial Conduct Authority's restrictions which apply to non-mainstream investment products because they are securities issued by investment trusts. Investors should understand all characteristics of the funds objective before investing. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in in local language in registered jurisdictions.

BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the fund specific risks in the Key Investor Document (KID) which gives more information about the risk profile of the investment. The KID and other documentation are available on the relevant product pages at [www.blackrock.com/uk/its](http://www.blackrock.com/uk/its). We recommend you seek independent professional advice prior to investing.

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