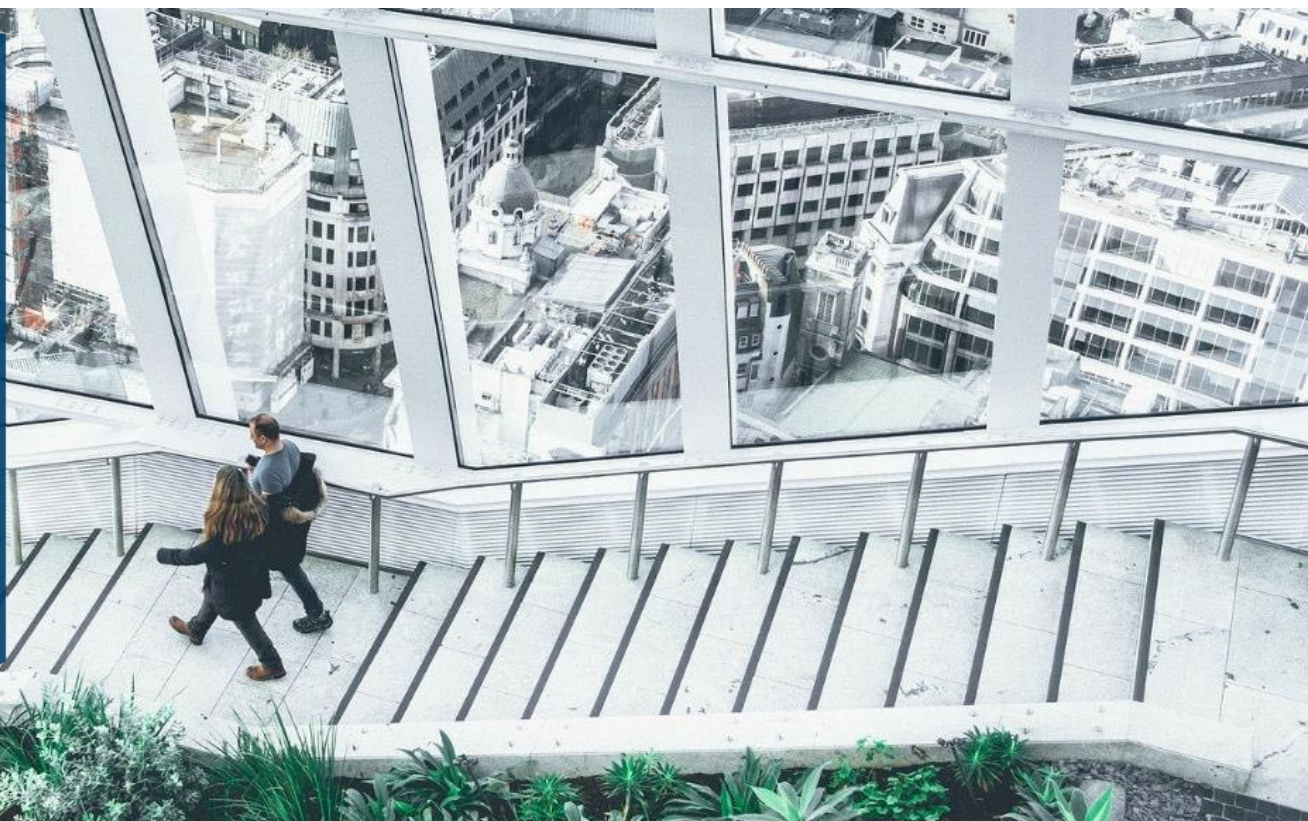


# The Global Smaller Companies Trust PLC AGM Presentation

**Peter Ewins, Lead Manager**  
28 July 2023



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AdTrax: 5829953\_UK. Image source: Pixabay



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## Important information

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

The value of your investment is dependent on the supply and demand for the shares of the Investment Trust rather than its underlying assets. The value of your investment will not be the same as the value of the Investment Trust's underlying assets.

Changes in rates of exchange may also reduce the value of your investment.

Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.



# Agenda

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- Market environment
- Results for 2022/23 and performance record
- Portfolio activity and positioning
- Performance in new year to date
- Outlook

## Market environment over 22/23 financial year



- Challenging period for smaller companies
- High inflation pressuring some business models and drove sharp increase in interest rates
- De-rating of popular growth stocks
- Pandemic re-opening phase created distortions in trading patterns
- In 2023 to date, narrow market performance especially in North America
- Increased potential for recession given monetary policy moves, however labour markets remained strong

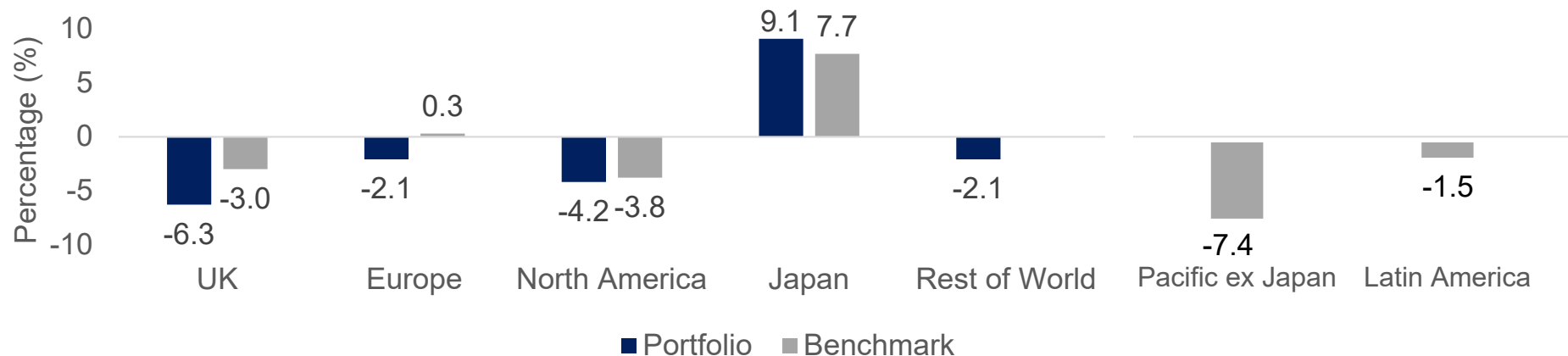
Source: Columbia Threadneedle Investments. Image: Getty

# Financial highlights

## 12 months to 30 April 2023

NAV (debt at fair value)	-2.9%
Benchmark	-2.1%
Share price	-6.2%
Dividend per share	+25.0%

### Geographical performance (total return sterling adjusted)



**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments as at 30-Apr-23, returns are total returns in sterling terms. Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index.

# Attribution for 12 months to 30 April 2023

	<b>Top contributors to performance</b>	<b>Portfolio average weight %</b>	<b>Total return %</b>	<b>Total Effect</b>		<b>Bottom contributors to performance</b>	<b>Portfolio average weight %</b>	<b>Total return %</b>	<b>Total Effect</b>
<b>North America</b>	Eagle Materials	3.9	21.0	1.0		MaxLinear	1.7	-50.0	-1.0
	LKQ Corp	3.8	18.5	0.8		Syneos Health	1.2	-46.4	-0.8
	The Ensign Group	3.1	21.1	0.7		GrafTech International	1.1	-47.9	-0.7
	Focus Financial	1.8	33.2	0.6		Infinera	0.4	-27.8	-0.7
	Wheaton Precious Metals	2.8	11.7	0.6		SSR Mining	1.6	-34.2	-0.7
<b>UK</b>	RPS Group	1.5	114.0	1.8		Revolution Beauty	0.3	-85.7	-1.3
	Euromoney Institutional Investor	2.3	47.9	1.4		CMO Group	0.4	-83.9	-0.9
	Kitwave Group	1.7	83.0	1.1		Next 15 Group	2.2	-35.7	-0.9
	4imprint Group	2.1	66.6	0.6		Alliance Pharma	1.2	-43.0	-0.7
	Ashtead Technology	1.2	53.6	0.6		Treatt	1.7	-36.2	-0.7
<b>Europe</b>	Tecan Group	3.6	44.0	1.1		flatexDEGIRO	1.1	-51.2	-1.3
	Interpump	3.6	37.0	1.1		Nordic Semiconductor	2.2	-47.7	-1.1
	Gerresheimer	2.9	57.8	1.1		Fluidra	2.2	-35.1	-0.9
	Bank of Ireland Group	2.1	70.5	1.0		STRATEC	2.0	-39.0	-0.9
	SIG Group	3.4	28.8	1.0		Sligro Food Group	2.6	-23.3	-0.8

Source: Columbia Threadneedle Investments 12 months end to 30-Apr-23 Figures in GBP. Figures subject to rounding. This does not constitute a recommendation to buy or sell the mentioned security.

# Performance record over last five years

## Discrete performance %, 12 month rolling (GBP, net of fees, total returns)

Percentage growth, %	Apr-22/ Apr-23	Apr-21/ Apr-22	Apr-20/ Apr-21	Apr-19/ Apr-20	Apr-18/ Apr-19
NAV	-2.9	-0.2	48.0	-13.8	3.8
Share Price	-6.2	-6.4	54.0	-16.5	-1.0
Benchmark	-2.1	-3.2	54.1	-14.1	3.0

### Past performance should not be seen as an indication of future performance.

Source: Columbia Threadneedle Investments as at 30-Apr-23. Benchmark: 30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index. The discrete annual performance table refers to 12 month periods, ending at the relevant 30th April. Benchmark has changed with effect from 1 May 2023 to 20% Numis UK Smaller Companies (ex investment companies) Index / 80% MSCI All Country World ex UK Small Cap Index (net). Figures subject to rounding.

# Performance record over the long term

## Performance %, over various periods (GBP, net of fees, total returns)

Percentage growth, %	1 year	3 years	5 years	10 years	25 years
NAV	-2.9	43.3	28.2	144.6	811.1
Share Price	-6.2	35.3	11.8	110.8	897.5
Benchmark	-2.1	46.1	29.3	137.2	665.2

Source: Columbia Threadneedle Investments, performance shown to periods ended 30-Apr-23. Benchmark:30% Numis UK Smaller Companies (ex investment companies) Index / 70% MSCI All Country World ex UK Small Cap Index. Benchmark has changed with effect from 1 May 2023 to 20% Numis UK Smaller Companies (ex investment companies) Index / 80% MSCI All Country World ex UK Small Cap Index (net).



# Investment strategy – recent new purchases/adds

## Quality businesses that can grow reliably



## Cyclicals with low expectations



## Commodity related businesses



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 Source: Columbia Threadneedle Investments. For the purposes of illustration only and should not be construed as a recommendation to buy or sell the mentioned security.  
 Purchases and adds shown relate to transactions made since 30-Apr-22

# Investment strategy – recent sales/reductions

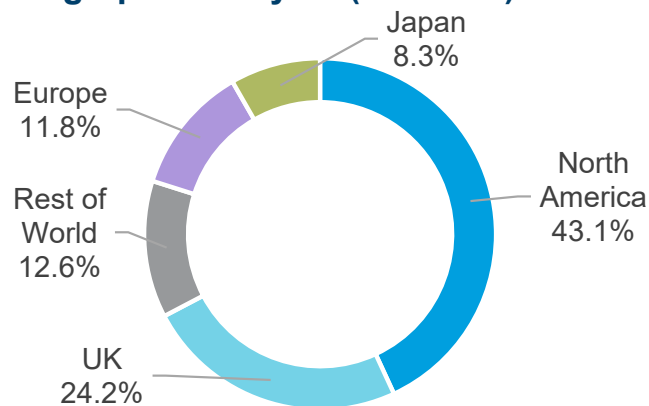


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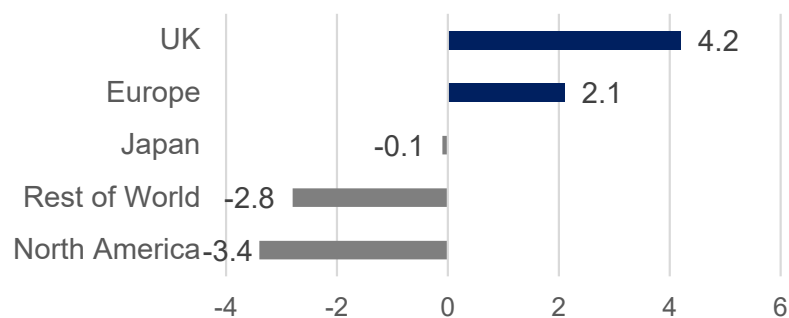
Source: Columbia Threadneedle Investments. For the purposes of illustration only and should not be construed as a recommendation to buy or sell the mentioned security. Sales and reductions shown relate to transactions made since 30-Apr-22

# Where the portfolio was invested as at 30 June 2023

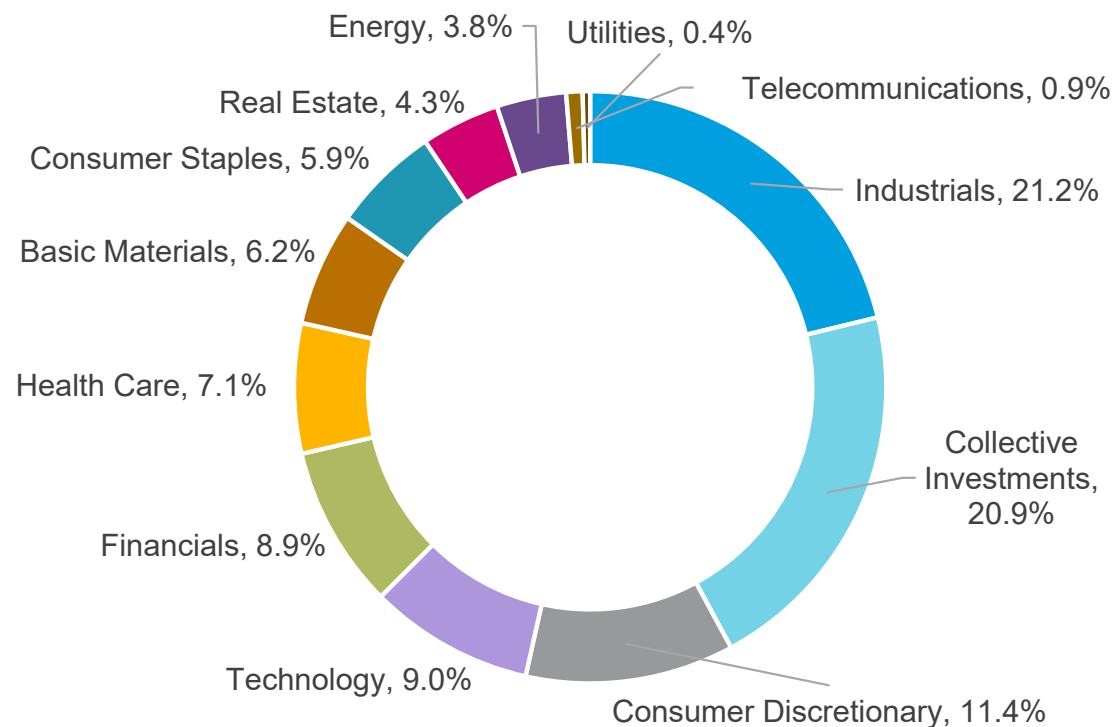
## Geographic analysis (absolute)



## Geographic analysis (relative to Benchmark) %



## Sector analysis



Source: Columbia Threadneedle Investments as at 30-Jun-2023. Geographic weights are shown as a percentage of equity assets. Sector weights on the percentage of invested portfolio. Figures subject to rounding. Benchmark: 20% Numis UK Smaller Companies (ex investment companies) Index / 80% MSCI All Country World ex UK Small Cap Index (net).

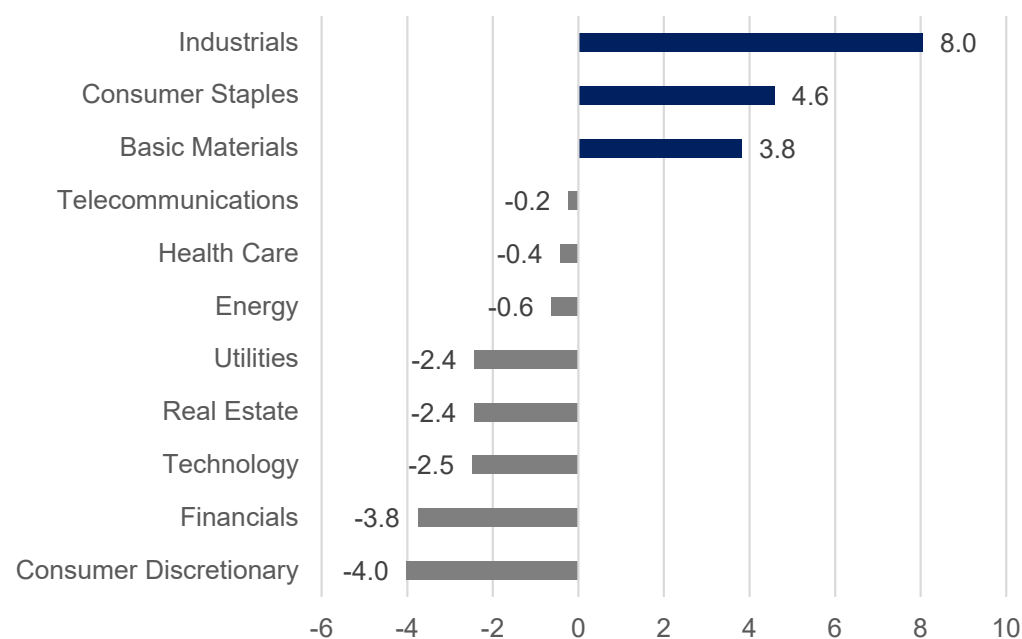
# North American portfolio: Key stock positions

As at 30 June 2023

## Top 10 absolute holdings

	Portfolio weight %
Eagle Materials	4.8
LKQ Corp	4.0
Kirby	3.5
Ensign Group	3.3
Andersons	3.2
Graphic Packaging	3.0
Brown & Brown	2.9
Wheaton Precious Metals	2.8
Martin Marietta Materials	2.8
Avnet	2.7
<b>Total</b>	<b>33.2</b>

## Sector allocation (relative to Benchmark\* %)



Source: Columbia Threadneedle Investments as at 30-Jun-23 Portfolio weights for holdings shown are percentages of the North American portfolio. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding. Benchmark: MSCI North American Small Cap Index (net).

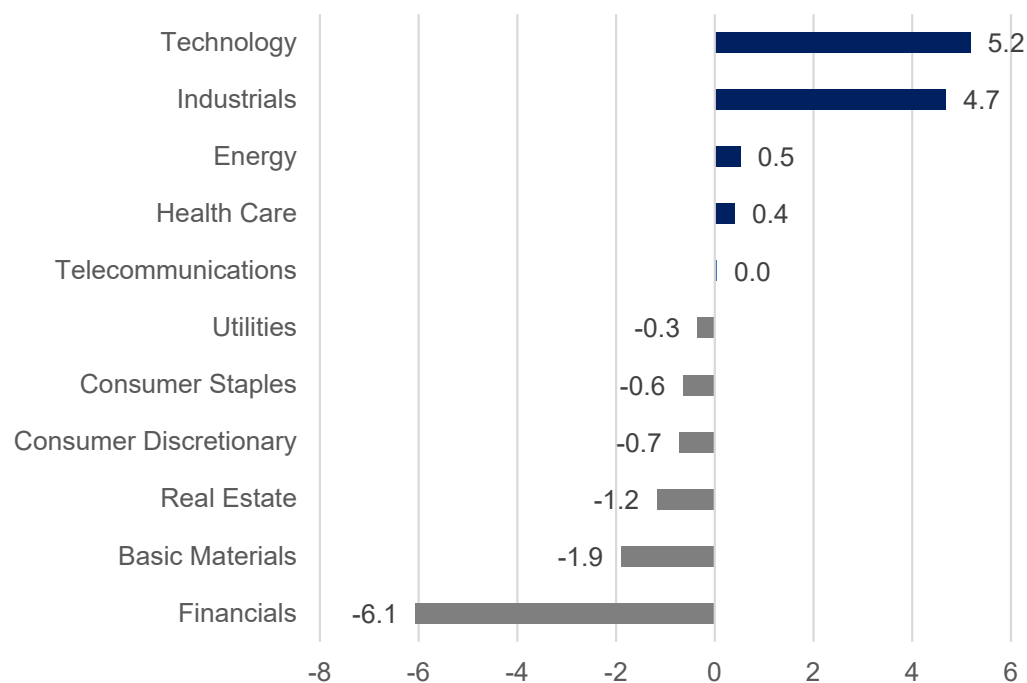
# UK portfolio: Key stock positions

## As at 30 June 2023

### Top 10 absolute holdings

	Portfolio weight %
Kitwave Group	2.8
4Imprint Group	2.6
OSB Group	2.6
Shaftesbury Capital	2.2
Ashtead Technology	2.0
Ricardo	1.9
Redde Northgate	1.8
Alfa Financial Software	1.8
QinetiQ Group	1.7
Sirius Real Estate	1.7
<b>Total</b>	<b>21.2</b>

### Sector allocation (relative to Benchmark\* %)



Source: Columbia Threadneedle Investments as at 30-Jun-23. This does not constitute a recommendation to buy or sell the mentioned security. Portfolio weights shown for holdings are percentages of the UK portfolio. Figures subject to rounding. \*Benchmark: Numis UK Smaller Companies (excluding investment companies) Index.

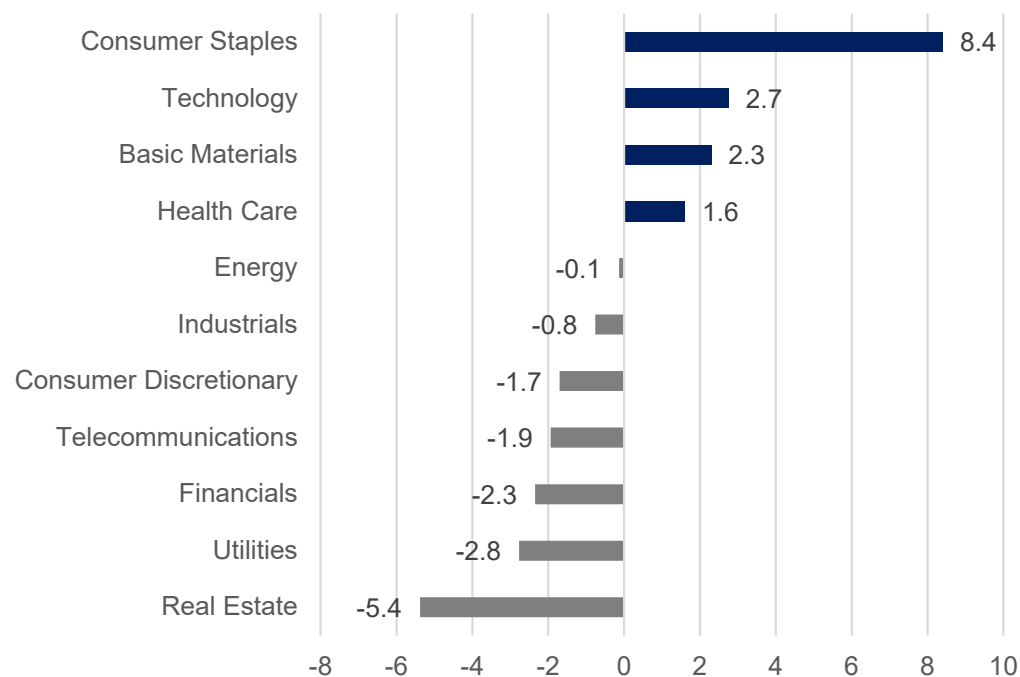
# European portfolio: Key stock positions

As at 30 June 2023

## Top 10 absolute holdings

	Portfolio weight %
Interpump Group	4.0
SIG Group	3.8
Tecan Group	3.5
Atea	3.5
Ringkjoebing Landbobank	3.4
Lotus Bakeries	3.3
Gerresheimer	3.2
Symrise	3.1
ASM International	3.0
IMCD Group	2.9
<b>Total</b>	<b>33.7</b>

## Sector allocation (relative to Benchmark\* %)



Source: Columbia Threadneedle Investments as at 30-Jun-23. This does not constitute a recommendation to buy or sell the mentioned security. Portfolio weights for holdings are shown as percentages of the total European portfolio. Figures subject to rounding.\* Benchmark: MSCI Europe ex UK Small Cap Index (net).

# Collectives for Japan and the Rest of World

Holdings	Portfolio weight %*
Eastspring Investments Japan Smaller Companies Fund	4.4%
Pinebridge Asia ex Japan Small Cap Fund	3.5%
Schroder ISF Global Emerging Markets Smaller Companies Fund	3.4%
The Scottish Oriental Smaller Companies Trust	3.2%
abrdn SICAV I Japanese Sustainable Smaller Companies Fund	3.2%
Utilico Emerging Markets Trust	2.5%
Baillie Gifford Japanese Smaller Companies Fund	0.9%

Source: Columbia Threadneedle Investments as at 30-Jun-23. \*Percentage of investment portfolio including cash. This does not constitute a recommendation to buy or sell the mentioned security. Figures subject to rounding.

## Performance in the new financial year to date

<b>Net asset value</b> (debt at fair value)	<b>+1.9%</b>
<b>Benchmark</b>	<b>+4.4%</b>
<b>Share price</b>	<b>+1.3%</b>

**Past performance should not be seen as an indication of future performance.**

Source: Columbia Threadneedle Investments. Total returns in 23/24 financial year to 21 July 2023. Benchmark: MSCI North American Small Cap Index (net).



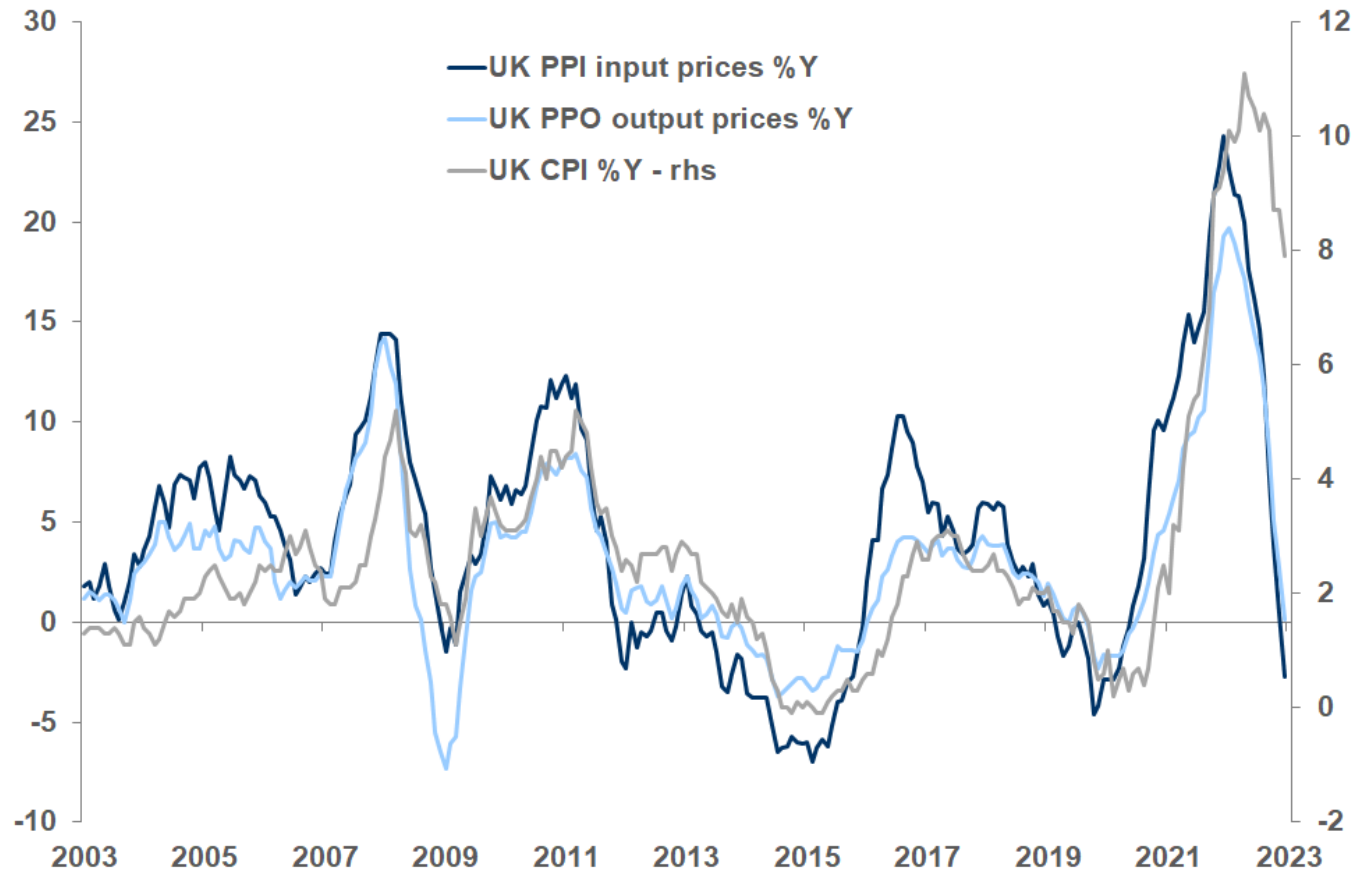
# Outlook



- Expecting some pressure on corporate earnings, ongoing challenges for companies in managing pricing/cost dynamics
- Lagged impact of higher interest rates becoming more evident
- More positive outlook for companies exposed to fiscal spending and deglobalization
- Valuations offering support especially in some interest rate sensitive and cyclical businesses
- Inflation and interest rate outlook to remain key drivers

Source: Columbia Threadneedle Investments. Image: Getty

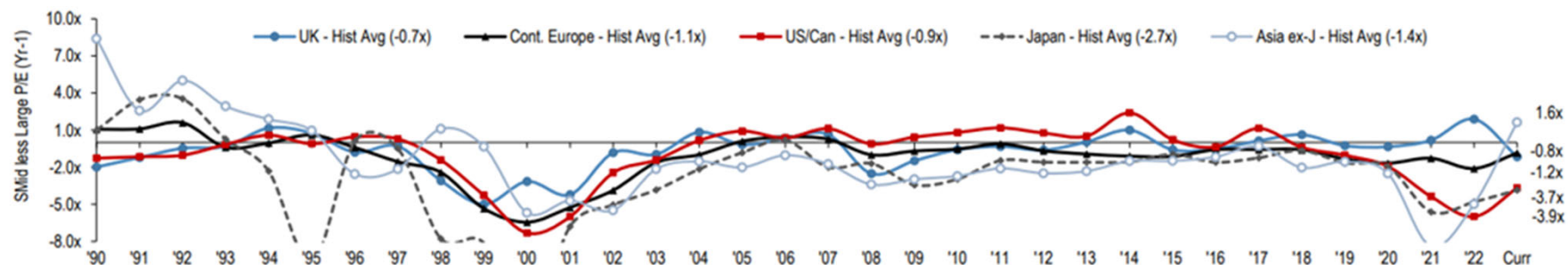
# Inflationary pressure easing in the UK



Source: Morgan Stanley as at 25 July 2023.

# Valuations are more attractive in smaller companies

P/E (Yr-1) (SMid less Large)



Source: Bloomberg Finance L.P., Factset, Datastream, and J.P. Morgan Calculations

**Table 5 - Relative valuations for Russell 2000 vs. Russell 1000**

Valuation Metric	Russell 2000 vs. Russell 1000		
	Current	LT Avg	% Diff
Trailing P/E (Non Negative)	0.67	0.99	-32.5
Forward P/E	0.96	1.04	-8.2
Price to Book	0.55	0.76	-27.7
Price to Cash Flow*	1.21	1.32	-8.1
Price to Sales	0.69	0.80	-13.2
P/E to Growth	0.70	0.83	-15.2

\*Price to cash flow started in 2002.

Note: From March 31, 2016 forward Jefferies estimates.

Source: FactSet; FTSE Russell; Jefferies

Source: JP Morgan 7 June 2023, Jefferies 4 June 2023.

# Smaller companies outperform coming out of a recession

Recessions and Index Returns by Market Cap (1980 – 2020)

Recession Period	Duration	Peak Unemployment	GDP Decline	S&P 500®		Russell Mid Cap®		Russell 2000®	
				Recession Return	Next 12 Months	Recession Return	Next 12 Months	Recession Return	Next 12 Months
Jan 1980 – July 1980	6 months	7.8%	-2.2%	8.8%	20.5%	16.8%	21.3%	16.6%	30.3%
July 1981 – Nov 1982	1 year 4 Months	10.8%	-2.9%	-0.9%	44.2%	10.3%	28.0%	8.3%	33.4%
July 1990 – Mar 1991	8 months	7.8%	-1.5%	7.6%	11.0%	7.0%	19.3%	3.0%	21.0%
Mar 2001 – Nov 2001	8 months	6.3%	-0.6%	-7.2%	-16.5%	-4.9%	-9.2%	-1.8%	-10.6%
Dec 2007 – June 2009	1 year 6 Months	10.0%	-4.3%	-24.2%	14.4%	-24.4%	25.1%	-21.7%	21.5%
Feb 2020 – April 2020	2 months	14.7%	-19.2%	-19.6%	56.4%	-26.5%	73.6%	-28.3%	94.9%
<b>Average</b>				<b>-5.9%</b>	<b>21.7%</b>	<b>-3.6%</b>	<b>26.4%</b>	<b>-4.0%</b>	<b>31.7%</b>

**Past performance should not be seen as an indication of future performance.**

Source: Morningstar, US market data

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