

Dunedin Smaller Companies Investment Trust PLC



Investment objective

The achievement of long term growth from a portfolio of smaller companies in the United Kingdom.

Benchmark

FTSE SmallCap (ex Investment Companies) Index.

Cumulative performance (%)

	as at 31/07/10	1 month	3 months	6 months	1 year	3 years	5 years
Share Price	112.8p	10.6	5.8	13.4	39.9	(10.6)	39.7
NAV ^A	130.2p	6.2	1.2	11.2	36.0	(14.3)	27.3
Subscription Share Price 2012	1.5	0.0	0.0	(25.0)	(20.2)	(93.6)	–
FTSE SmallCap ex IC		3.3	(6.3)	(3.3)	15.6	(33.6)	(11.1)

Discrete performance (%)

Year ending:	31/07/10	31/07/09	31/07/08	31/07/07	31/07/06
Share Price	39.9	(12.0)	(27.4)	14.3	36.7
NAV ^A	36.0	(11.8)	(28.6)	20.4	23.4
Subscription Share Price 2012	(20.2)	(68.7)	(74.5)	–	–
FTSE SmallCap ex IC	15.6	(11.0)	(35.5)	18.7	12.8

Total return; NAV to NAV, net income reinvested, GBP. NAV returns based on NAVs with debt valued at par. Source: Aberdeen Asset Managers Limited, Factset and Morningstar.

^A Excluding current year revenue.

Past performance is not a guide to future performance. The value of shares may go down as well as up and an investor may not get back the amount invested.

Fund managers' report

July was a good month for equities. Appetite for risk began to increase and this was reflected in a total return of 6.9% from the FTSE All-Share Index. Smaller companies performed less well but still generated a respectable 3.6%. Pre-close statements from companies were generally positive. Macroeconomic news flow was better in both the UK and EU. With the former reporting second quarter GDP growth of 1.1%, the strongest reading since the start of 2007. In the EU the results of the banking stress tests were surprisingly positive with just seven of the 91 banks failing and only requiring an aggregate €3.5 billion. The data coming out of the US was less positive, and although second quarter GDP was positive it represented a slowdown in comparison to Q1. This reignited fears of a double dip recession across the Atlantic and led to Ben Bernanke describing the economic outlook as being "unusually uncertain."

We topped up a number of holdings during the month. These included McBride, Helical Bar, Wilmington and Chemring

We are entering the autumn reporting season. Many companies are reporting good results, though caution is needed not to extrapolate this level of growth into next year. There is still a lack of clarity, especially in the UK regarding the cuts that will be announced at the spending review in October. Investor sentiment is fragile. The focus has shifted from immediate concerns about a European sovereign debt crisis to worries that the US will succumb to a double dip recession. Data emanating from the US relating to the housing market and unemployment

Fund managers' report continues overleaf

The risks outlined overleaf relating to gearing, single country market exposure, small companies and specialist sectors are particularly relevant to this trust but should be read in conjunction with all warnings and comments given.

Ten largest equity holdings

	%
BSS	4.2
XP Power	3.7
Weir	3.2
Ultra Electronics	2.9
Helical Bar	2.9
Wilmington	2.8
Oxford Instruments	2.7
Fuller Smith & Turner	2.6
Morgan Sindall	2.6
Bloomsbury Publishing	2.3
Total	29.9
Total number of investments	50

Market capitalisation (%)

£m	Invested portfolio
sub 50	1.7
50-100	11.5
100-150	5.9
150-200	22.5
200-250	5.4
250-300	9.0
300-400	6.2
400-500	14.4
500+	23.4
Total	100.0

Sector allocation

	%
Industrials	43.8
Consumer Services	19.8
Financials	10.4
Consumer Goods	7.9
Technology	4.4
Basic Materials	3.5
Health Care	2.2
Cash	8.0
Total	100.0

Figures may not add up to 100 due to rounding.

Further information

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Institutional investors Ian Massie

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All sources (unless indicated): Aberdeen Asset Managers Limited 31 July 2010.

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Fund managers' report – continued

suggest that they are some way from a sustained recovery. Analysts' expectations for earnings growth are beginning to be reined back especially amongst larger companies.

The outlook is uncertain but we continue to identify companies with solid balance sheets, cost bases that are capable of coping with a slowing in the pace of recovery and that are trading on attractive valuations.

Key information

Calendar	
Year end	31 October
Accounts published	January
Dividend paid	February, July
AGM	February
Established	1927
Fund manager	Ed Beal
Total expense ratio	1.4%
Annual management fee	0.4%
Premium/(Discount)	(13.4)%
Yield	4.0%
Actual gearing^B	(0.3)%
Assets	
	£m
Cash	5.3
Investments	62.1
Gross assets	67.4
Net assets	62.3
^B Actual gearing is expressed as a percentage of investments divided by net assets.	
Capital structure	
Ordinary shares	47,854,352
Subscription shares	8,527,248
Allocation of expenses and interest	
Capital	75%
Revenue	25%
Trading details	
Bloomberg/Epic/Reuters code	DNDL
Stockbroker	Canaccord Genuity
Market makers	SETSmm

Important information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- The Trust invests in small companies, and / or companies investing in technology or venture and development capital stocks where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Trust will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments, the value of investment trust share purchased will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Other Important Information:

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