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Smaller Companies

Portfolio diversification with Small Cap Equities

Graham McCraw, Senior Equities Investment Specialist

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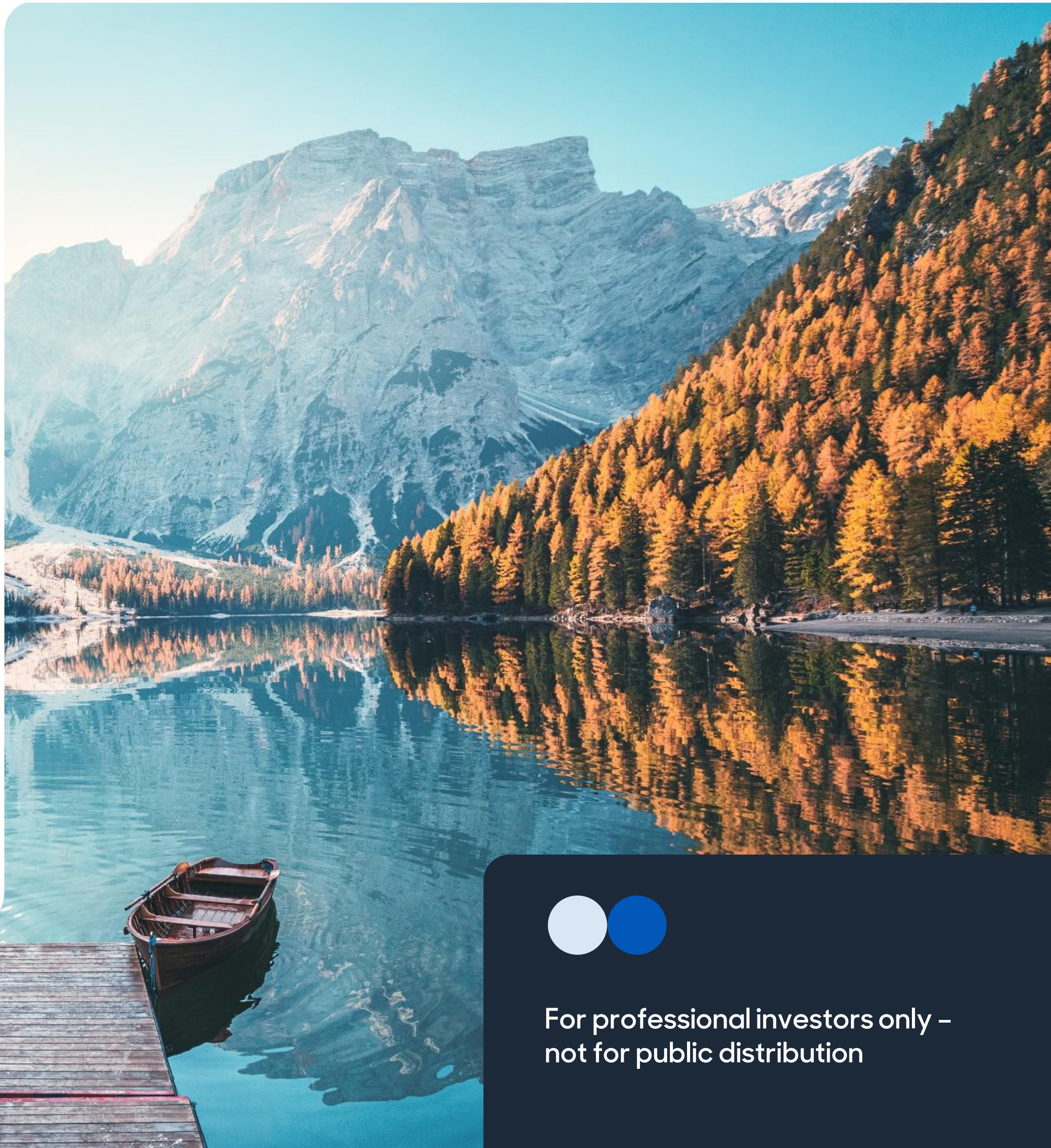

Agenda

1 Aberdeen Smaller Companies Capabilities

2 Has there ever been a more important time to diversify US Equity exposure?

3 EM is making a comeback, is Small Cap the best way to play this?

4 The potential to improve risk-adjusted returns with European Smaller Companies

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Aberdeen Smaller Companies Capabilities

Think Smaller Companies, think Aberdeen

Total AUM

€7.7bn*

Key Smaller Companies strategies


UK (1997)
€ 1,694m


Europe (2007)
€ 2,352m


US (2008)
€ 731m


Global (2012)
€ 1,121m


Global SMID SDG (2023)
€ 43m


Global ex US (2012)
€ 105m


Japan (2006)
€ 92m


Emerging Markets (2007)
€ 200m


Asia ex Japan (2007)
€ 1,071m

Source: Aberdeen, 30 June 2025.
*Includes Euro ex UK, UK Mid, Global Mid, Thai, China SMID, US SMID.
(calendar year of strategy inception).

Significant resources to capitalise on market inefficiencies

UK, Euro, International, Global

Andrew Paisley
Head of Smaller Companies

Abby Glennie
Deputy Head, Smaller Companies

Kirsty Desson
Senior Investment Director

Amanda Yeaman
Investment Director

Tzoulianna Leventi
Investment Manager & ESG

Liam Patel
Investment Director

Laura Odikanekwu
Senior Quantitative Analyst. Custodian of MATRIX

US

Christopher Colarik
Head of US Smaller Companies

Scott Eun
Senior Investment Director

Joe Rava
Investment Analyst

Stephanie Moore
Investment Analyst

Sameen Farooki
Investment Analyst*

Japan

Jun Oishi
Investment Director

Hisashi Arakawa
Head of Equities – Japan

Asia

Pruksa Iamthongthong
Deputy Head, of Equities – Asia Pac

Eric Chan
Investment Director

Ng Xin Yao
Investment Director

Emerging Markets

Osamu Yamagata
Investment Director

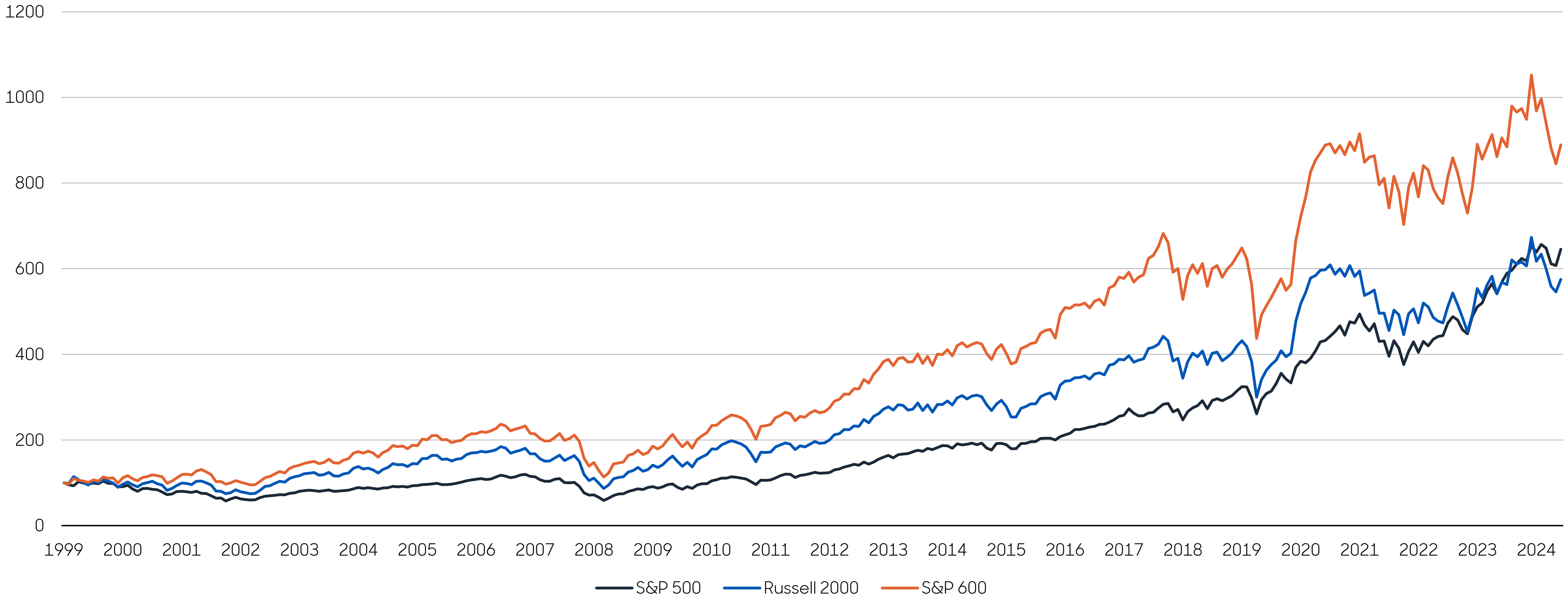
Gabriel Sacks
Investment Director

Ivan Kleinmann
Investment Manager

Conducting c.1000 Smaller Companies meetings each year

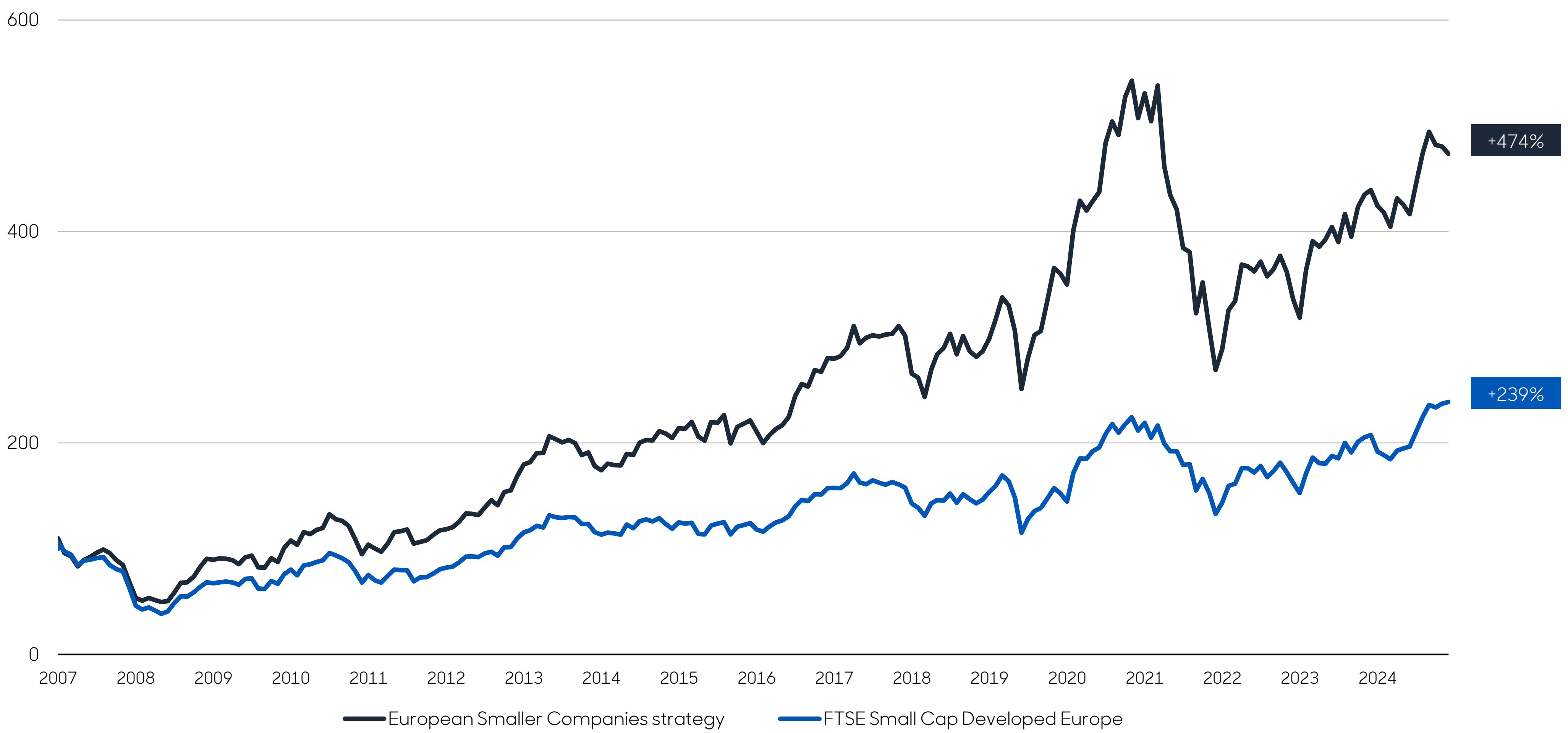
Source: Aberdeen, 05 June 2025. *Global and US coverage.

Quality Small Caps have outperformed over the longer term



Source: Aberdeen, 30 May 2025.
Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. Individuals cannot invest directly in an index.

An asset class where active can add significant value



Source: Aberdeen.

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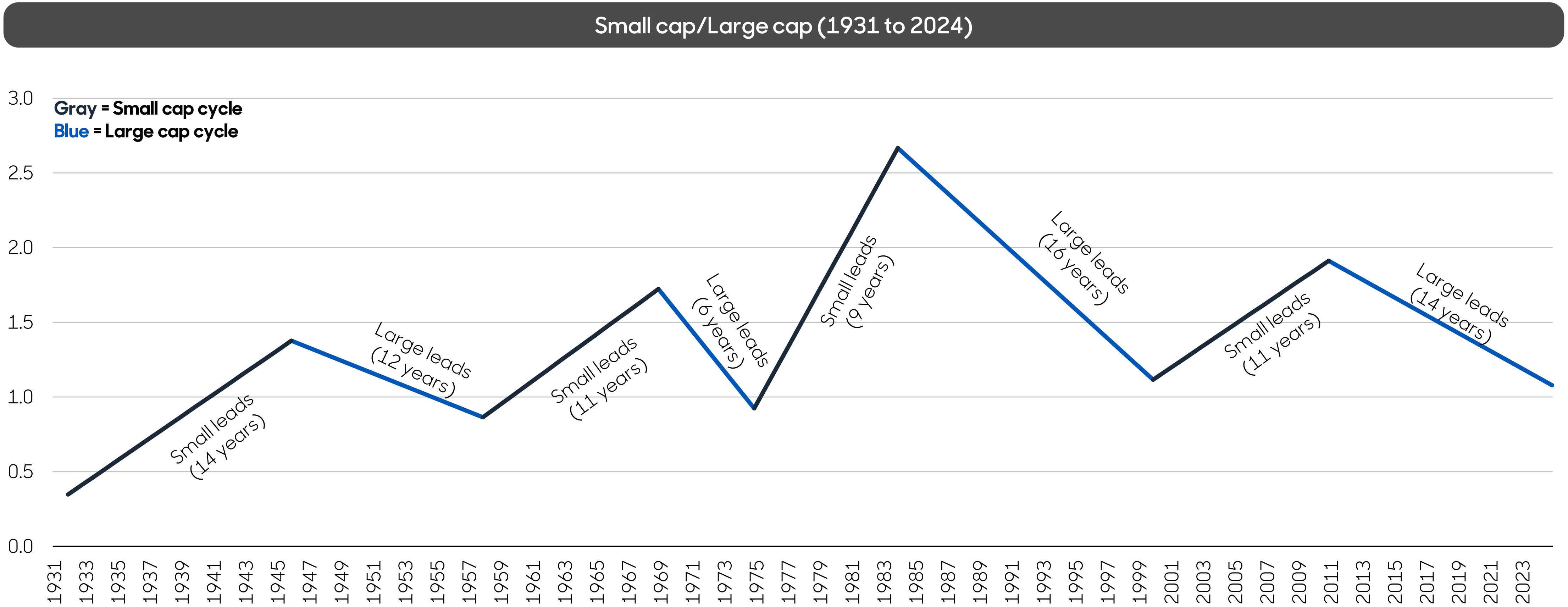
Has there ever been a more important time to diversify US Equity exposure?

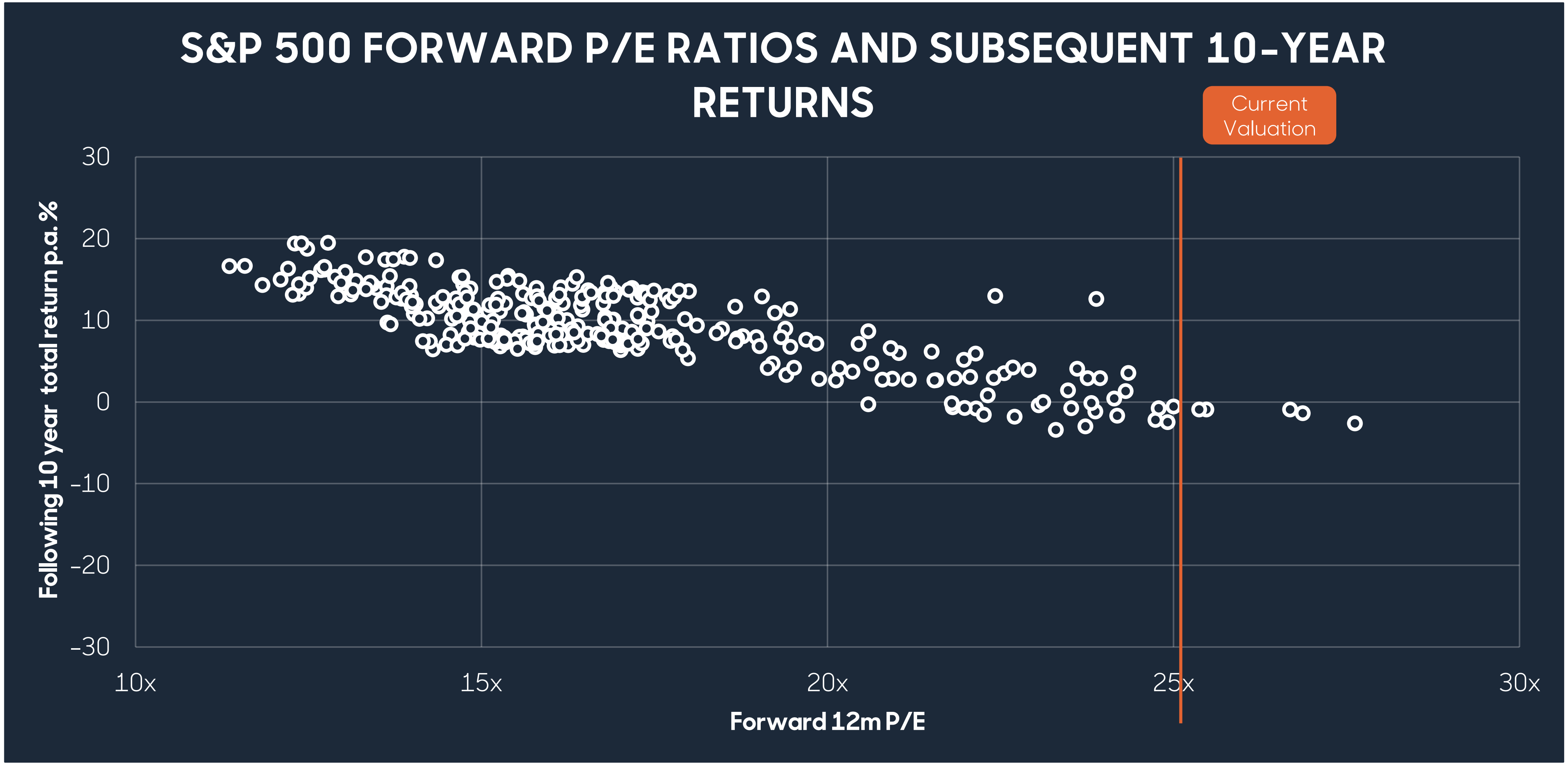
Multi-year outperformance isn't uncommon



Source: Furey Research Partners, FactSet, 31 December 2024. for illustrative purposes only.

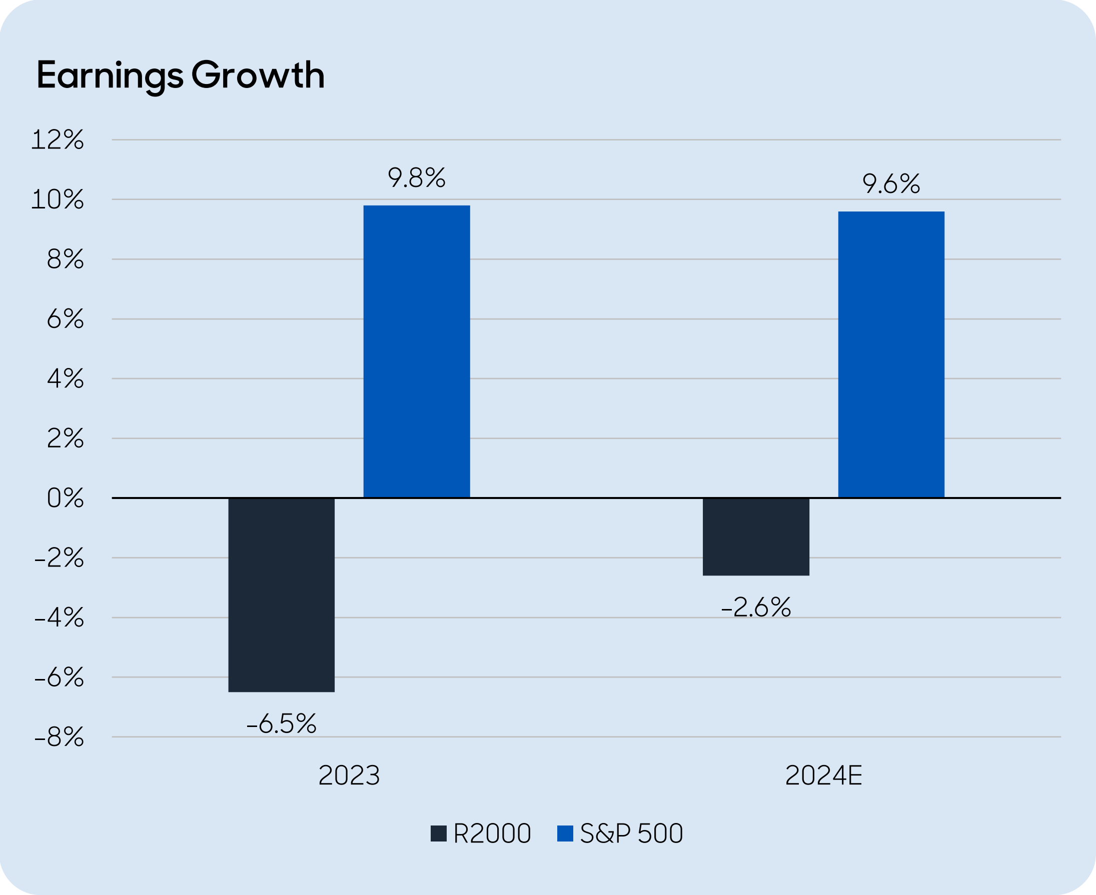
Past performance does not predict future returns.

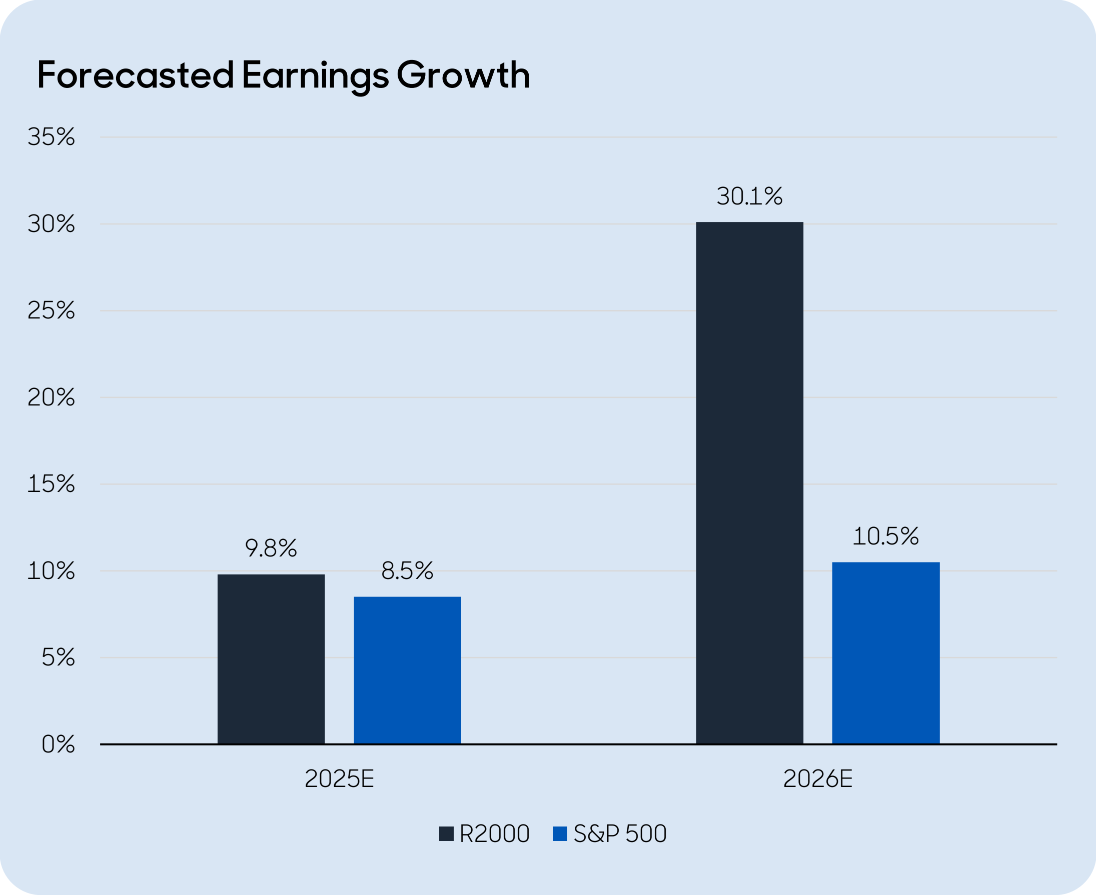
Starting valuations matter



Source: Bloomberg, 30 September 2025. Rolling 10 year returns and 12m fwd P/E of S&P500 from 1990. For illustrative purposes only. No assumptions regarding future performance should be made.
Past performance does not predict future returns.

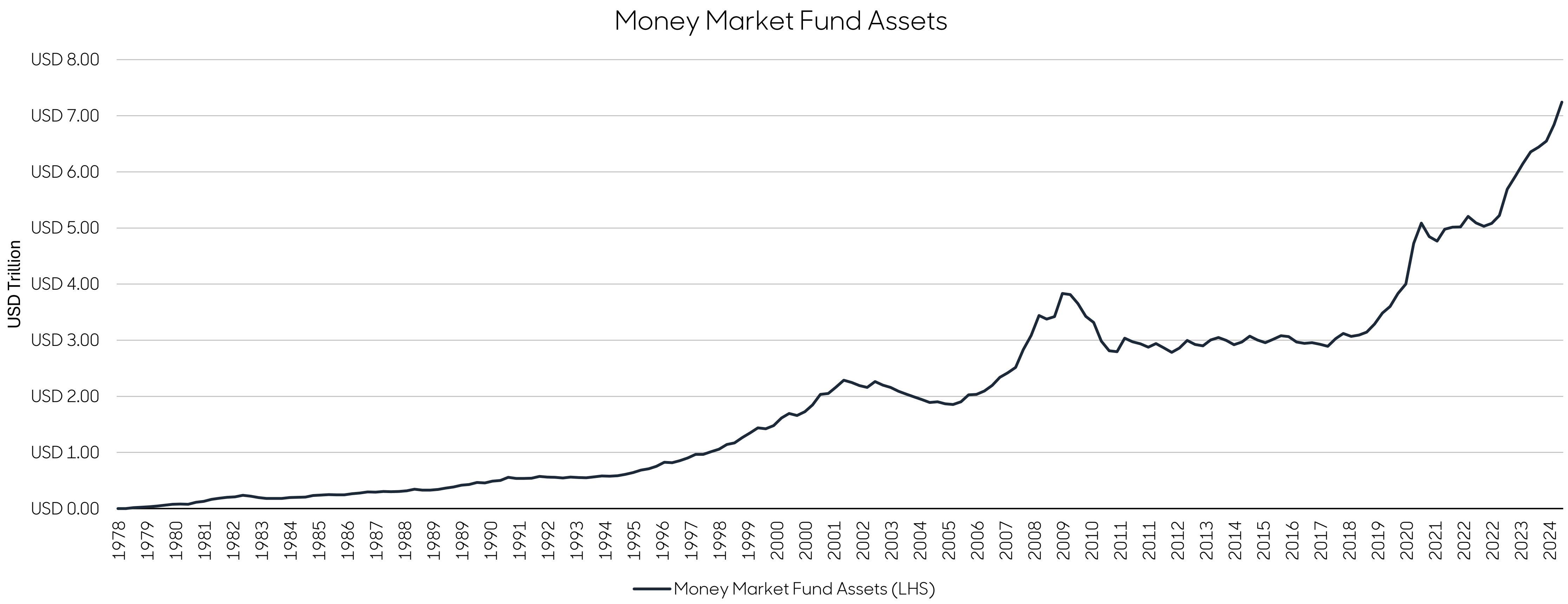
Small Cap earnings have disappointed in recent years, but that is changing





Source: Furey Research Partners and FactSet, 21 August 2025. Based upon our capitalized loss earning model. '25E and '26E based upon current constituents. Estimates are offered as opinion and are not reflective of potential performance. Estimates are not guaranteed and actual events or results may differ materially.

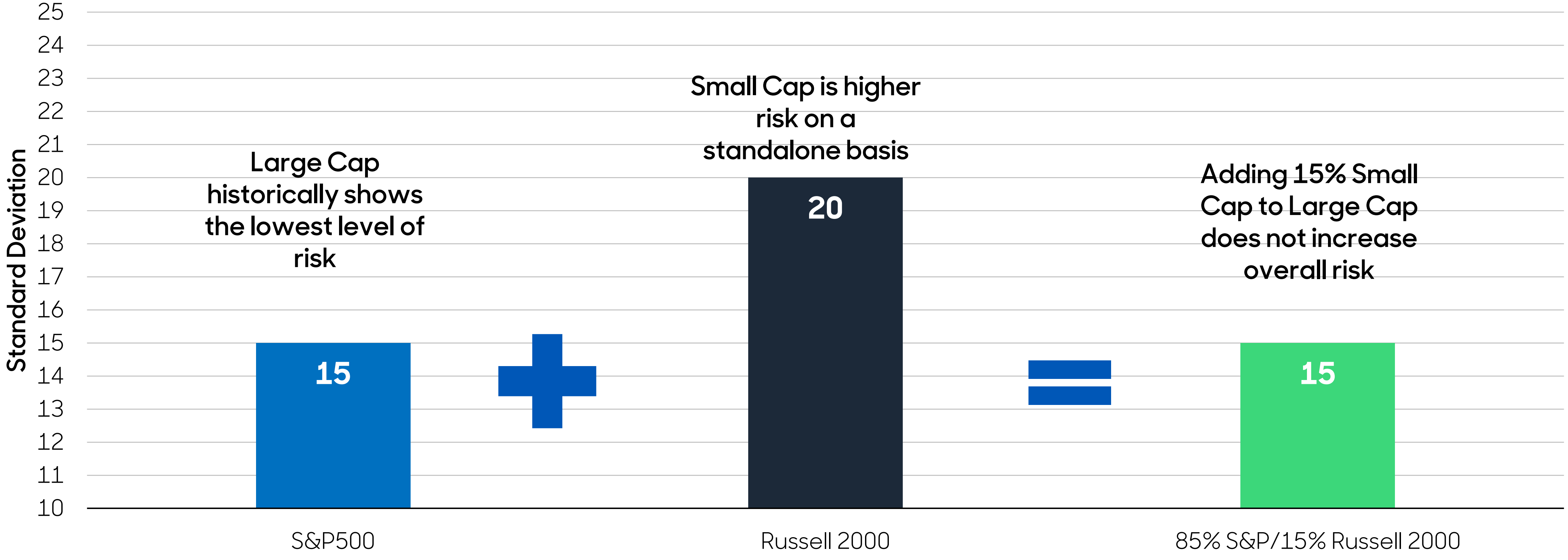
Cash on the sidelines – $7trillion in Money Market Funds



Source: Furey Research Partners, June 2025.

Does adding Small Cap increase overall risk?

Standard deviation since common inception (01/01/1979)



Source: Morningstar, 01/01/1979-31/08/2025.

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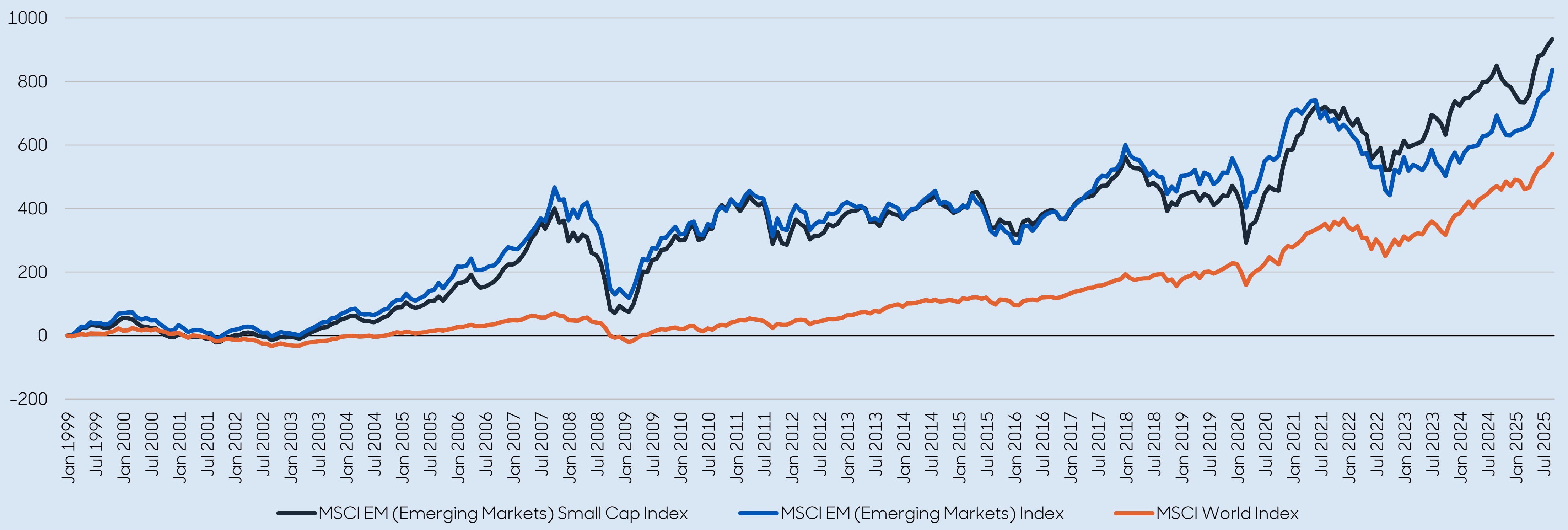
EM is back, is Small Cap the best way to play this?

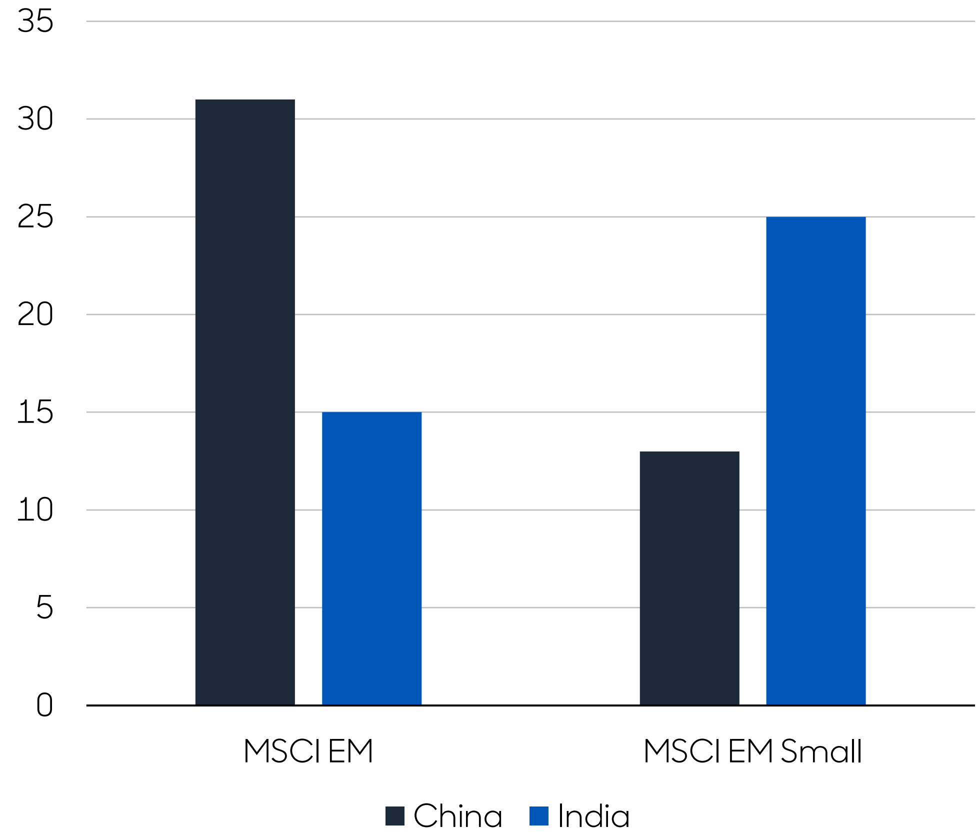
EM Small Cap has outperformed larger peers

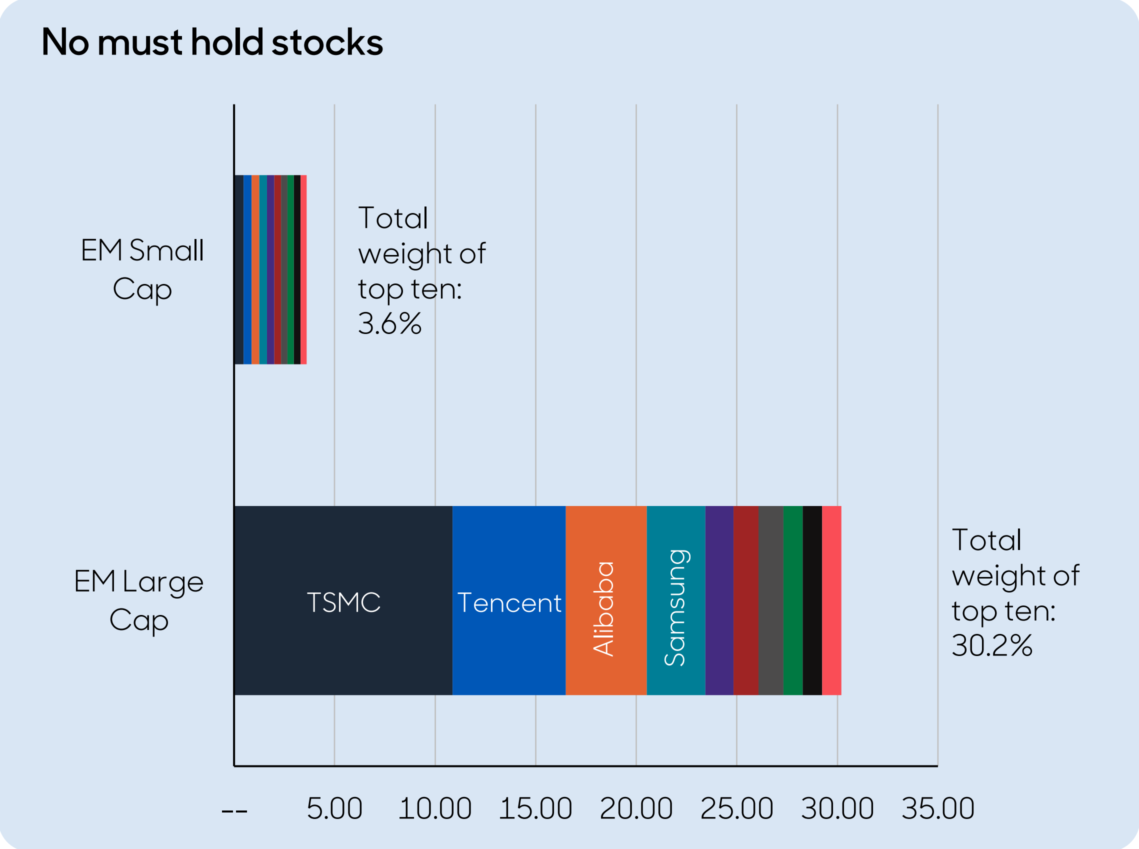


Source: MSCI, Aberdeen, 30 September 2025.
Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. Individuals cannot invest directly in an index. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

Diversification benefits

Truly differentiated to large cap EM, more in India & less in China





Source: MSCI, Aberdeen, 30 September 2025. Information based on 1yr Average weights for Index and Strategy.
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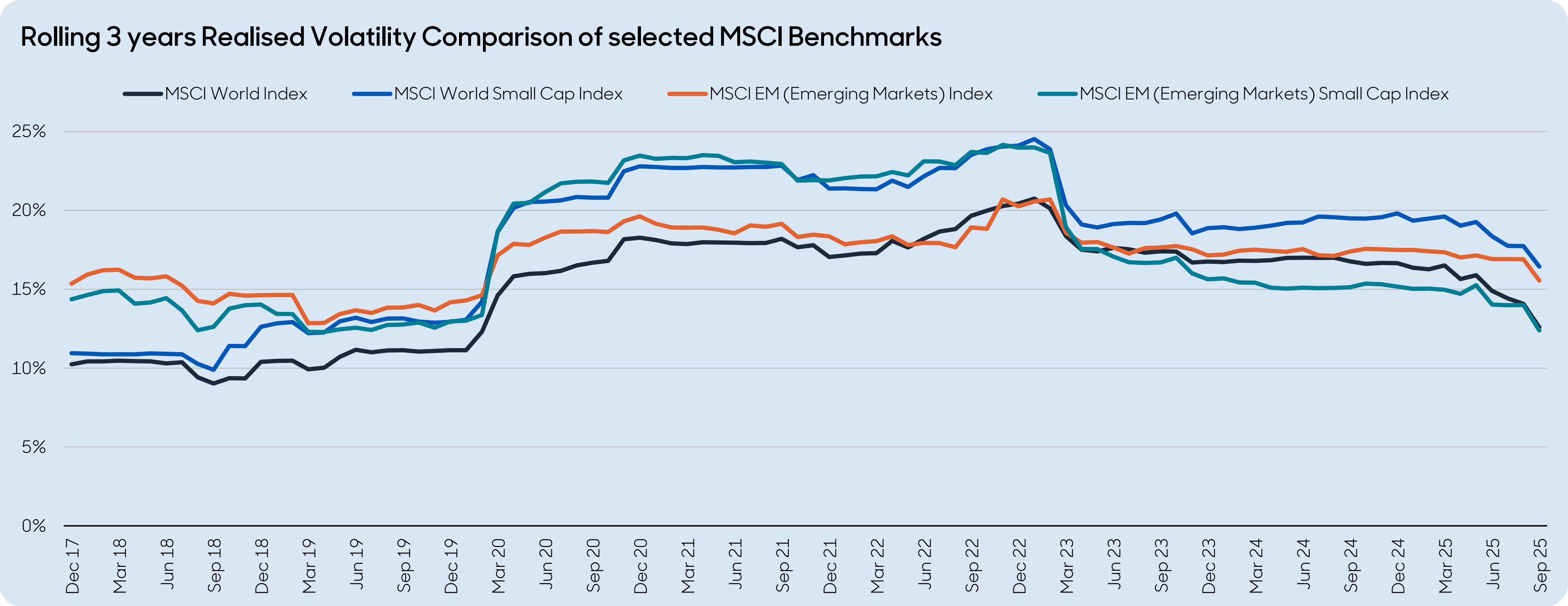
EM is risky, EM Small Cap must be even more risky…

Less susceptible to foreign flows and historically lower volatility than large caps



Source: MSCI, Aberdeen, 30 September 2025.
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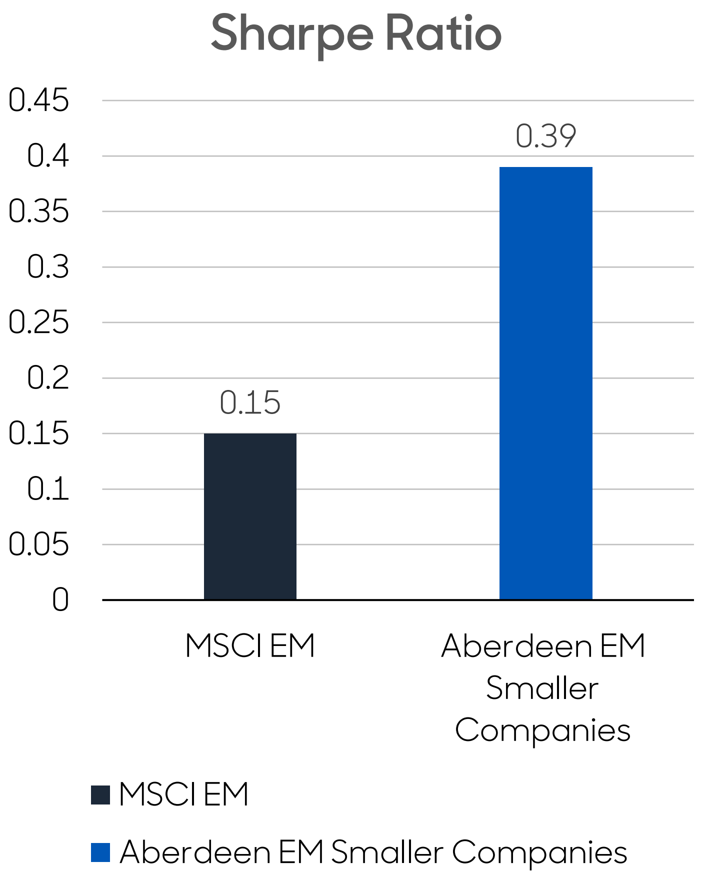
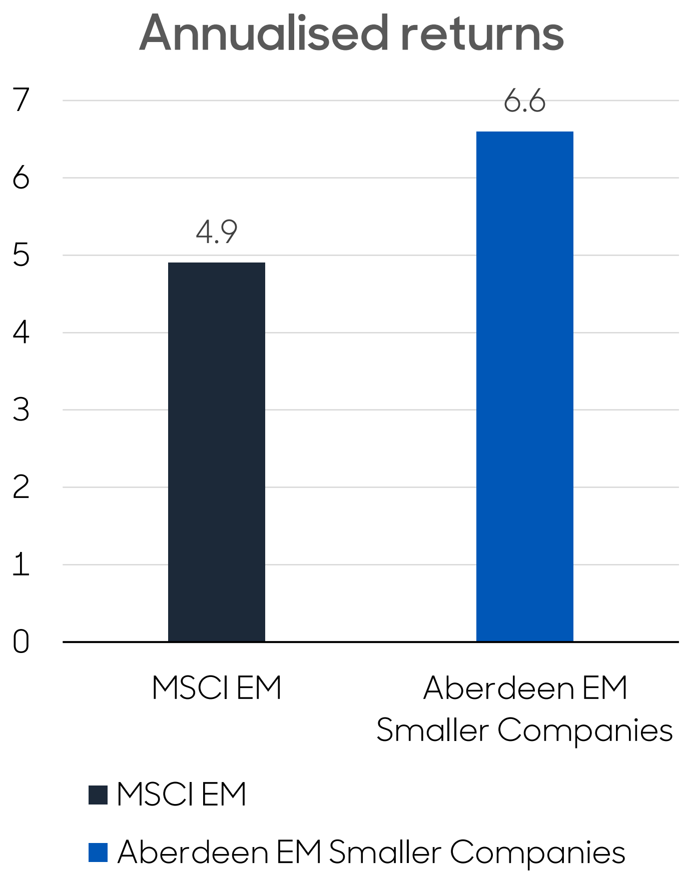
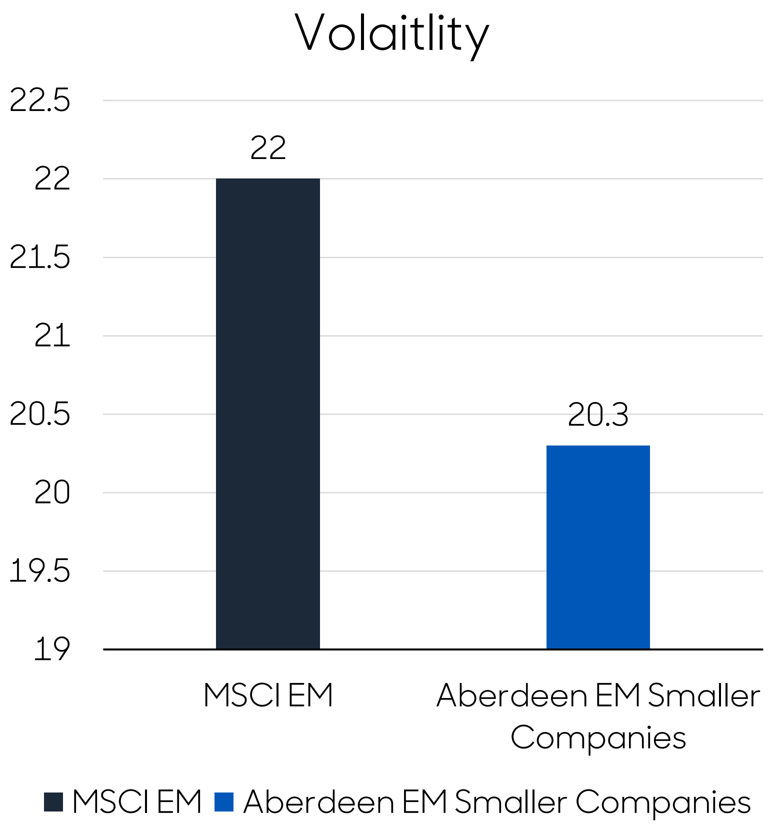
Superior risk adjusted returns

Higher returns with lower levels of risk







Source: Morningstar Direct Aberdeen, 30 September 2025.
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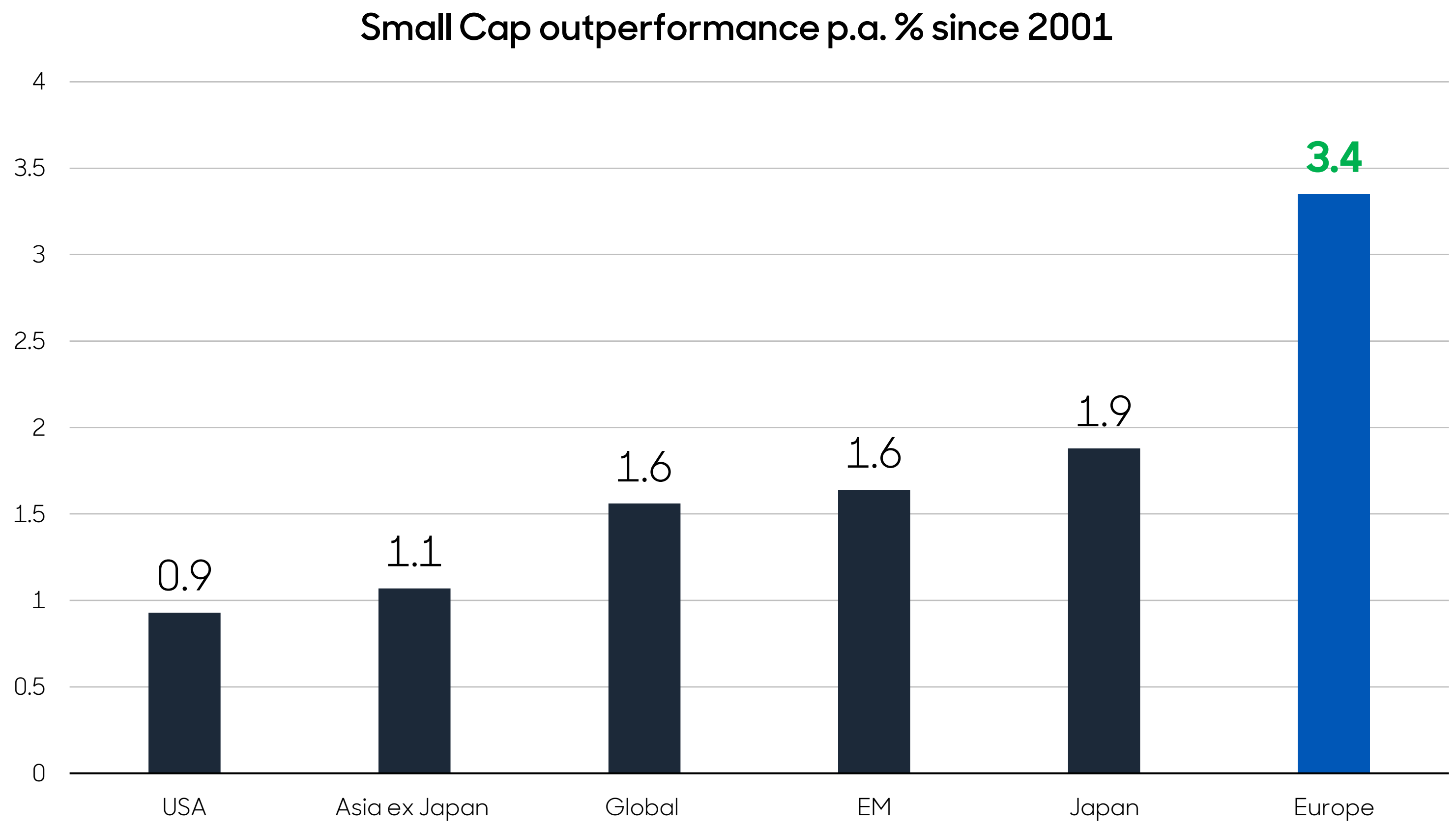
The potential to improve risk-adjusted returns with European Smaller Companies

Of all regions, the Small Cap effect is most pronounced within Europe



Source: Morningstar, 30 September 2025.

Past performance does not predict future returns.

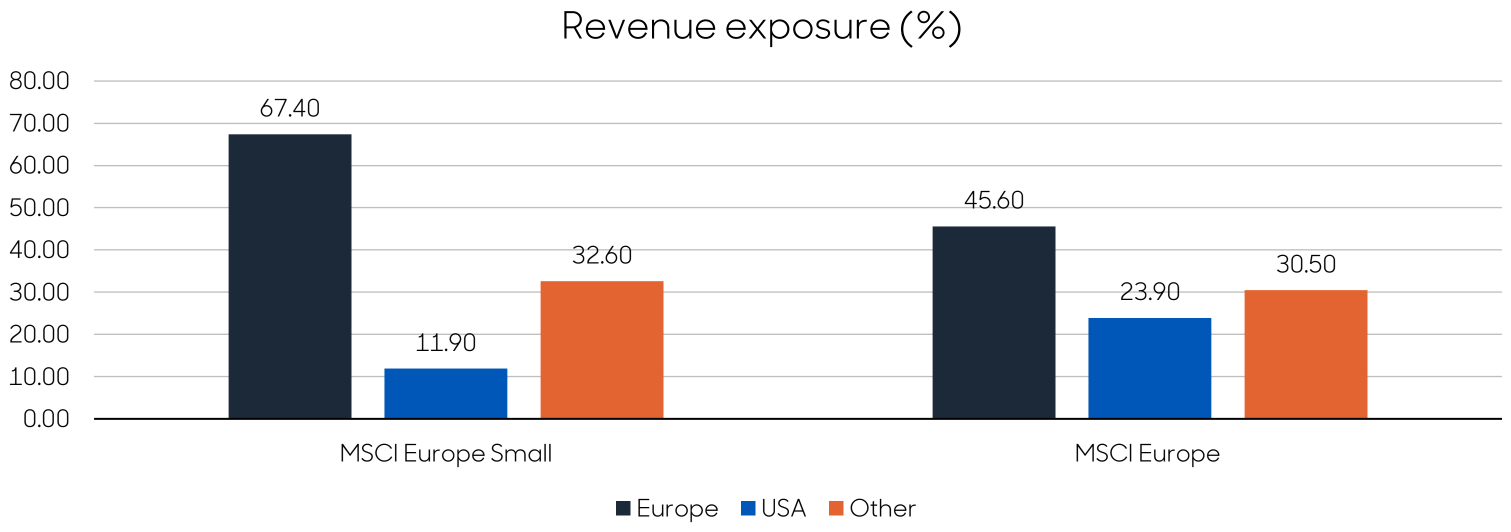
Diversification benefits of Smaller Companies in Europe

More domestically focused

Europe's industrial strength

Limited tech

(but that's OK)

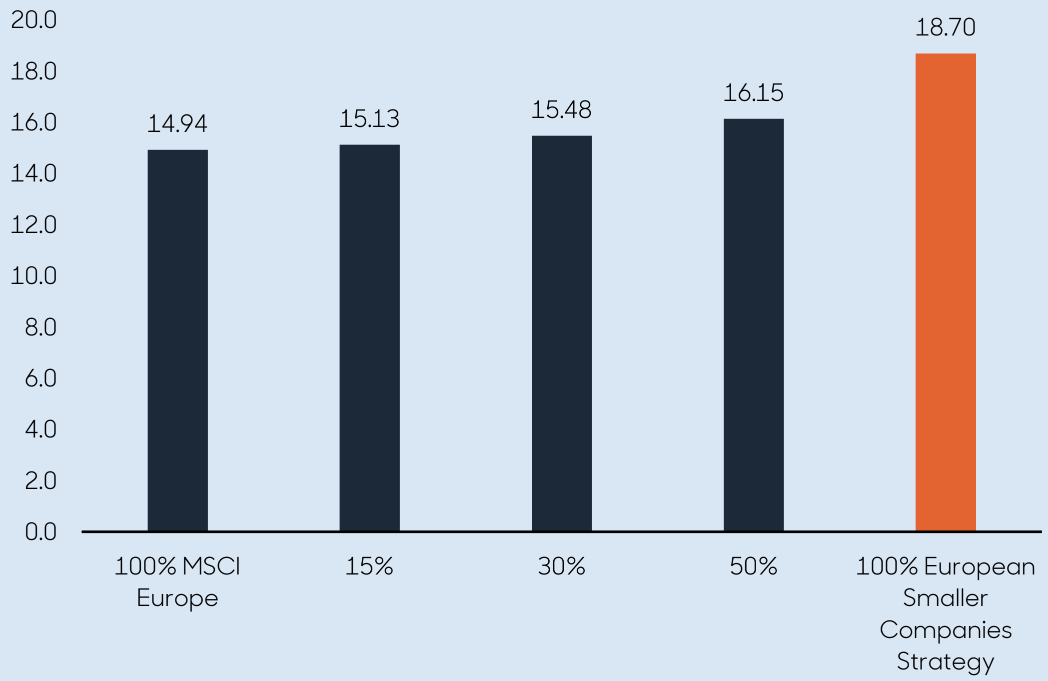


Source: Factset, 31 May 2025, geographical revenue exposure of MSCI Europe and MSCI Europe Small Cap.

Adding small cap can improve risk adjusted returns

With only a slight increase in risk

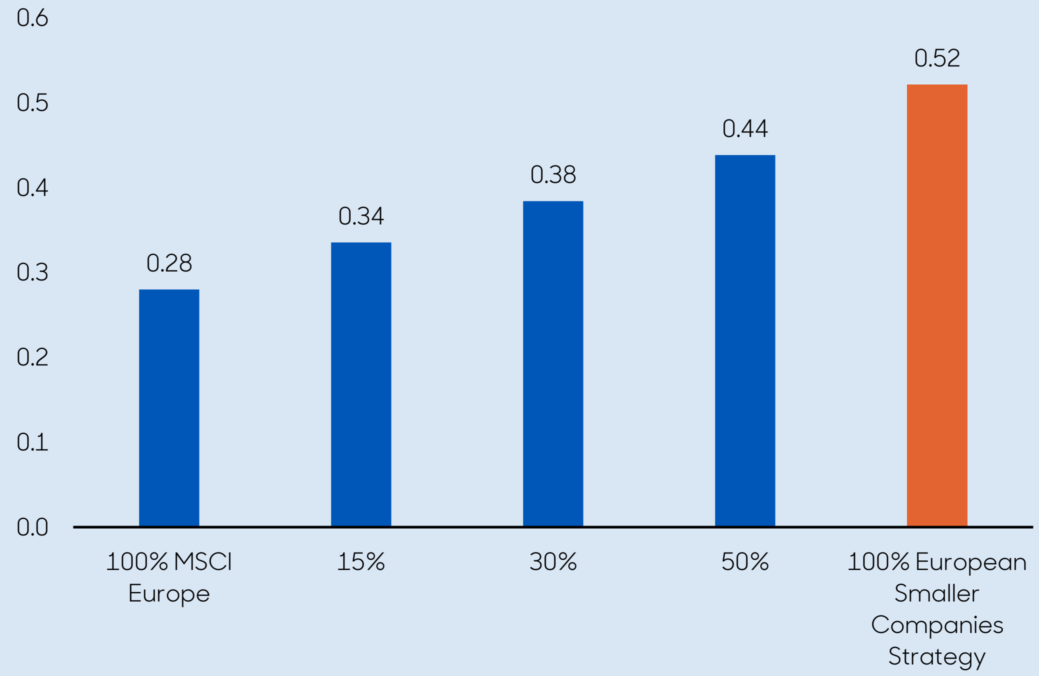
Volatility



% allocated to European Smaller Companies strategy

Source: Aberdeen, MSCI, 30 September 2024.

Sharpe ratio



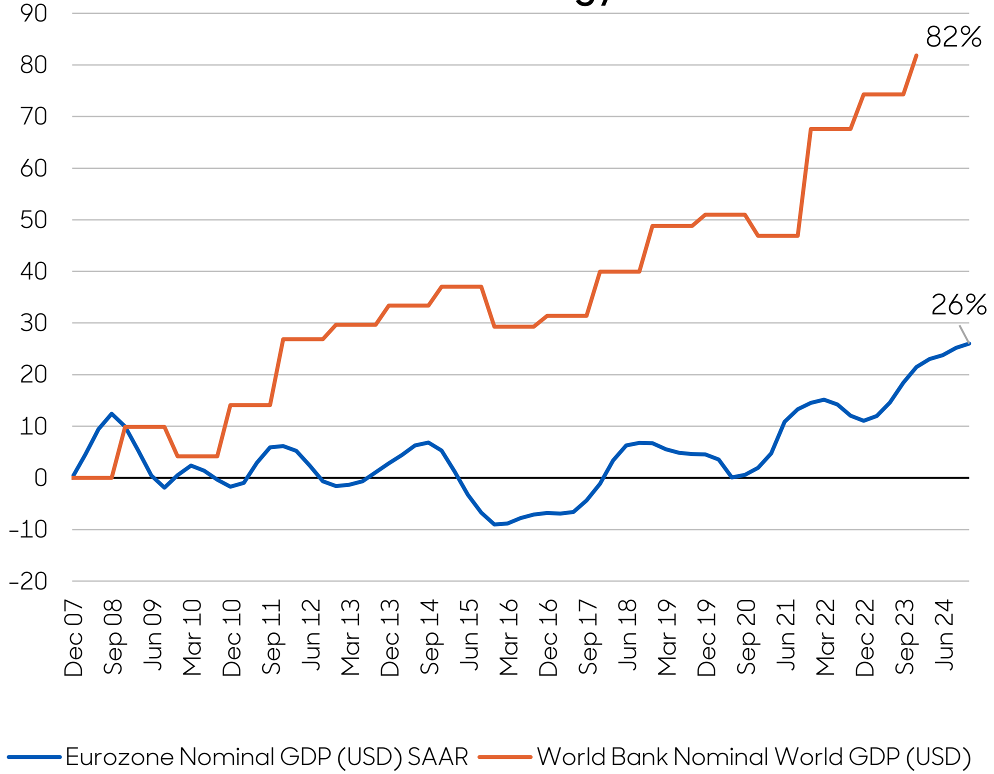
% allocated to European Smaller Companies strategy

Source: Aberdeen, MSCI, 30 September 2024.

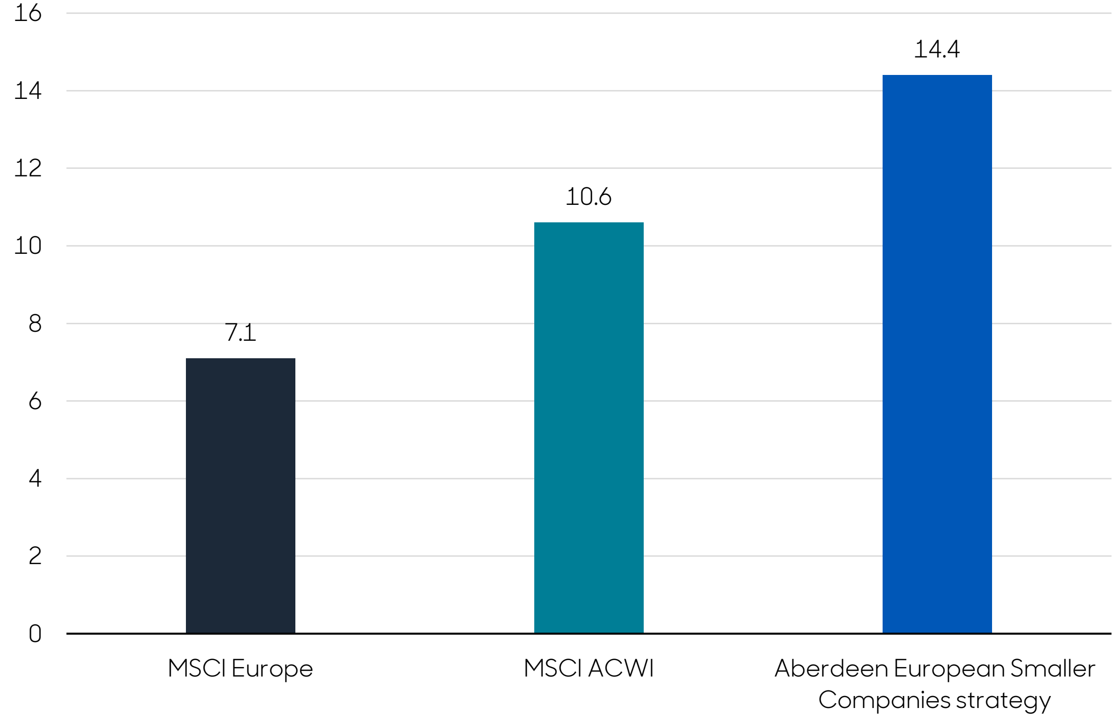
Final thoughts


What happens if the macro isn't supportive?

Nominal GDP growth since inception of our Euro Small Cap strategy



Average 5-year return (p.a.)%

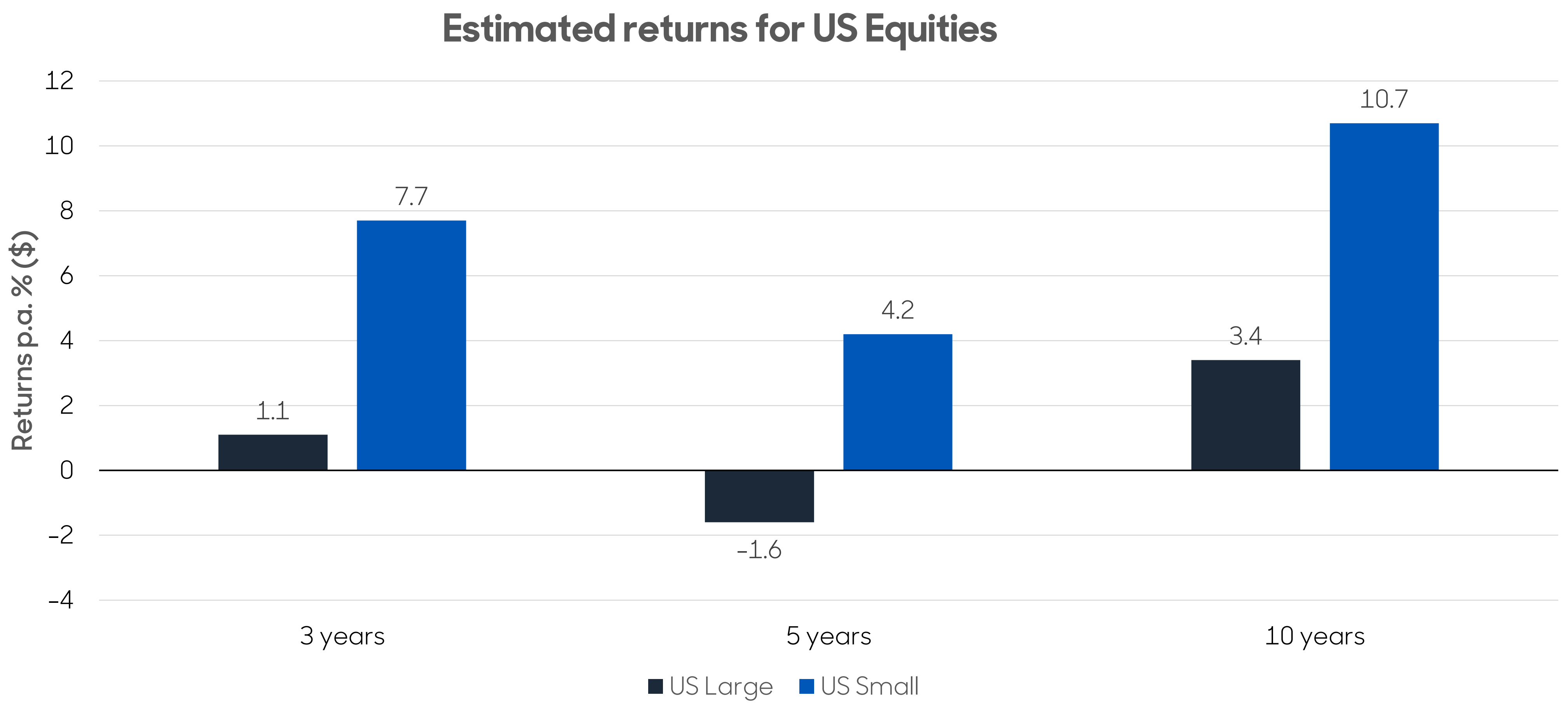


Source: (LHS chart), Bloomberg and Aberdeen 31 March 2025. For illustrative purposes only. No assumptions regarding future performance should be made. RHS chart), Morningstar Direct for MSCI Europe & MSCI ACWI. Average 5 year rolling return in Euro. Source for strategy is Aberdeen, average 5 year rolling return in Euro, to 30/06/2025.

Past performance does not predict future returns.

Great companies don't need a macro tailwind

The forward-looking view



Source: Aberdeen Macro Team, estimates as at 30/06/2025

Summary

Think Smaller Companies, think Aberdeen

Time to diversify US Equity exposure

EM is back – a Small Cap play?

Improving risk adjusted returns with European Small Caps

The next decade, how are you positioned?

Source: Aberdeen.

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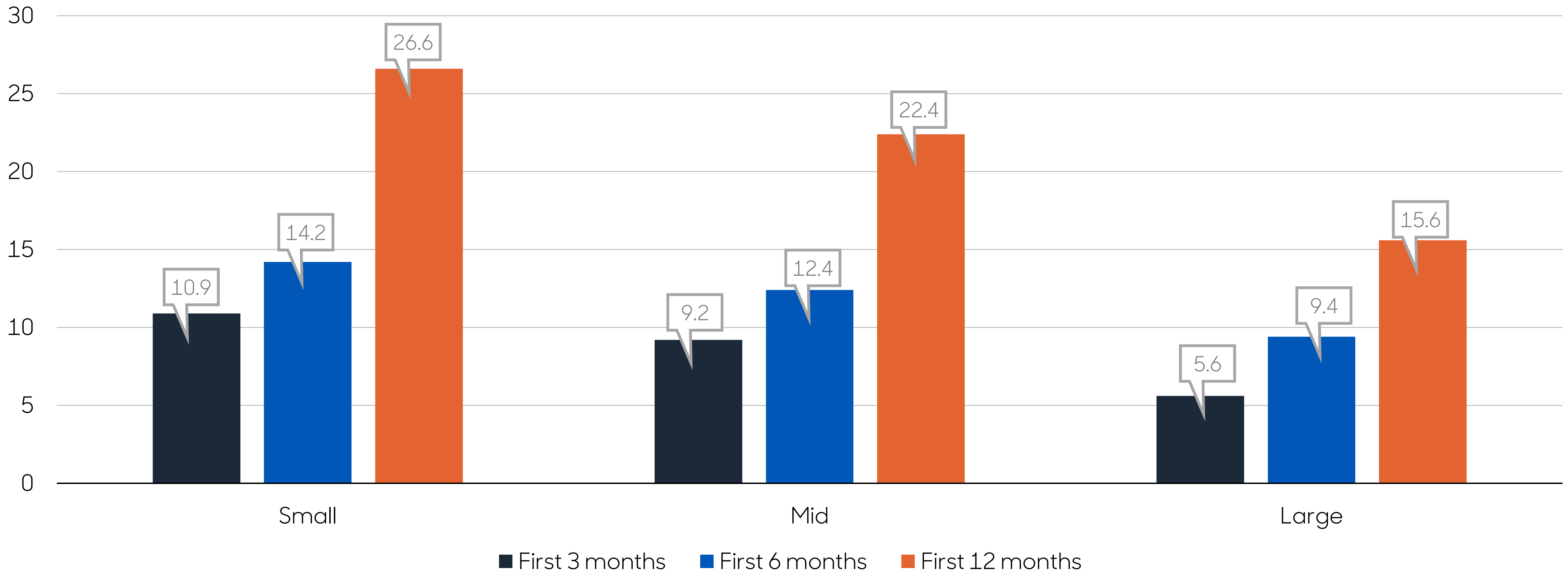
Appendices

When rates do start getting cut, historical data is very supportive for smaller companies



Source: Federal Reserve Board, Haver Analytics, Centre for Research in Security Prices, The Chicago Booth School of Business, Jefferies, William Blair, 31 October 2023. for illustrative purposes only.

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Disclaimers

European Smaller Companies strategy past performance

10 year discrete returns – 1 year to 30 June

1 Year to 30 June	European Smaller Companies strategy	FTSE Small Cap Developed Europe
2025 %	12.96	12.69
2024 %	9.49	12.19
2023 %	7.36	7.07
2022 %	-26.56	-16.08
2021 %	50.98	43.35
2020 %	2.09	-7.22
2019 %	1.19	-3.21
2018 %	15.75	8.15
2017 %	22.26	24.17
2016 %	-2.45	-9.31

Source: Aberdeen, 30 June 2025. Figures in EUR. Costs may increase or decrease as a result of currency and exchange rate fluctuations. This may impact what you might get back. Please note that the figures are based on net price performance. This will include the effects of fees, charges and any share pricing swings.

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