

Aberforth Partners LLP

Presentation to
AFUND Investors
May 2022



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ABERFORTH PARTNERS

Performance – periods to 30 April



Total Return %	YTD	1 Year	CAGR			AFUND inception
			3 Year	5 Year	10 Year	
FTSE All-Share	0.8	8.7	4.5	4.8	7.2	7.8
FTSE 250 (XIC)	-11.5	-6.7	2.9	2.8	8.6	10.4
FTSE SmallCap (XIC)	-7.4	-1.5	9.8	5.9	11.5	7.7
NSCI (XIC)	-11.2	-7.4	4.9	3.6	9.2	9.6
AFUND	-5.1	-1.6	5.4	3.8	9.8	11.7
ASCoT NAV	-5.4	-1.6	5.9	4.0	10.2	*
ASCoT share price	-6.2	-7.7	4.9	4.0	11.0	**
Inception date for AFUND was 20/03/1991			* ASCoT NAV from inception 10/12/1990			12.3
			**ASCoT Share price from inception 10/12/1990			11.9
			NSCI (XIC) from ASCOT inception 10/12/1990			10.1

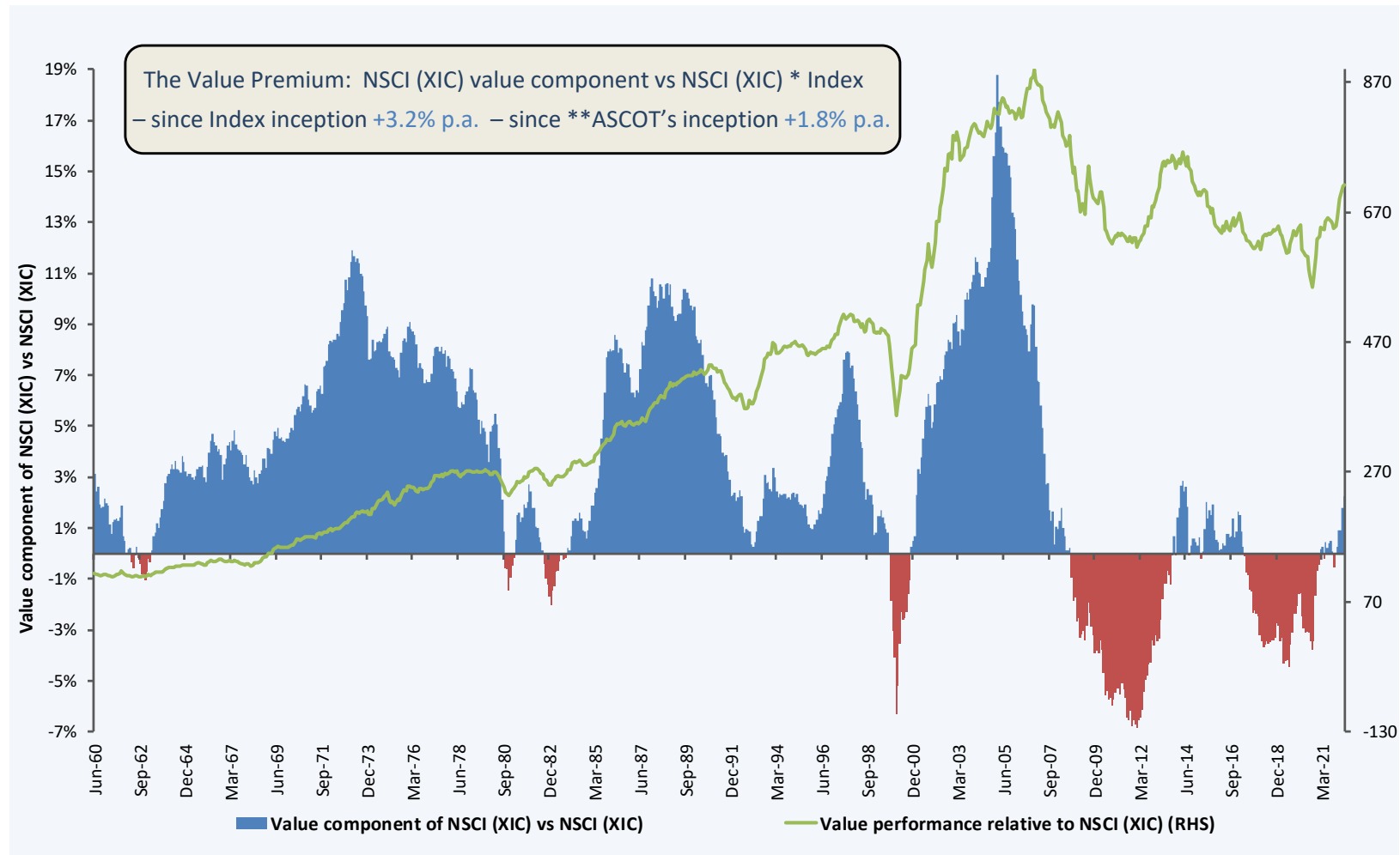


- The market is pondering recession and stagflation
 - War in Ukraine, COVID in China, supply chains, energy prices
 - The investee companies have little exposure to Russia and Ukraine
 - High inflation means that real rates are still very low
 - The Fed is contemplating the most severe tightening in years
- Markets have moved, but it's still a “phoney war” in terms of profits
 - Few estimate downgrades so far
- Inflation and monetary response are challenging markets
 - Successful investment strategies since the financial crisis are being questioned
 - Investment horizons are being pulled in
- A difficult environment to navigate – value is a useful compass

The long term value premium



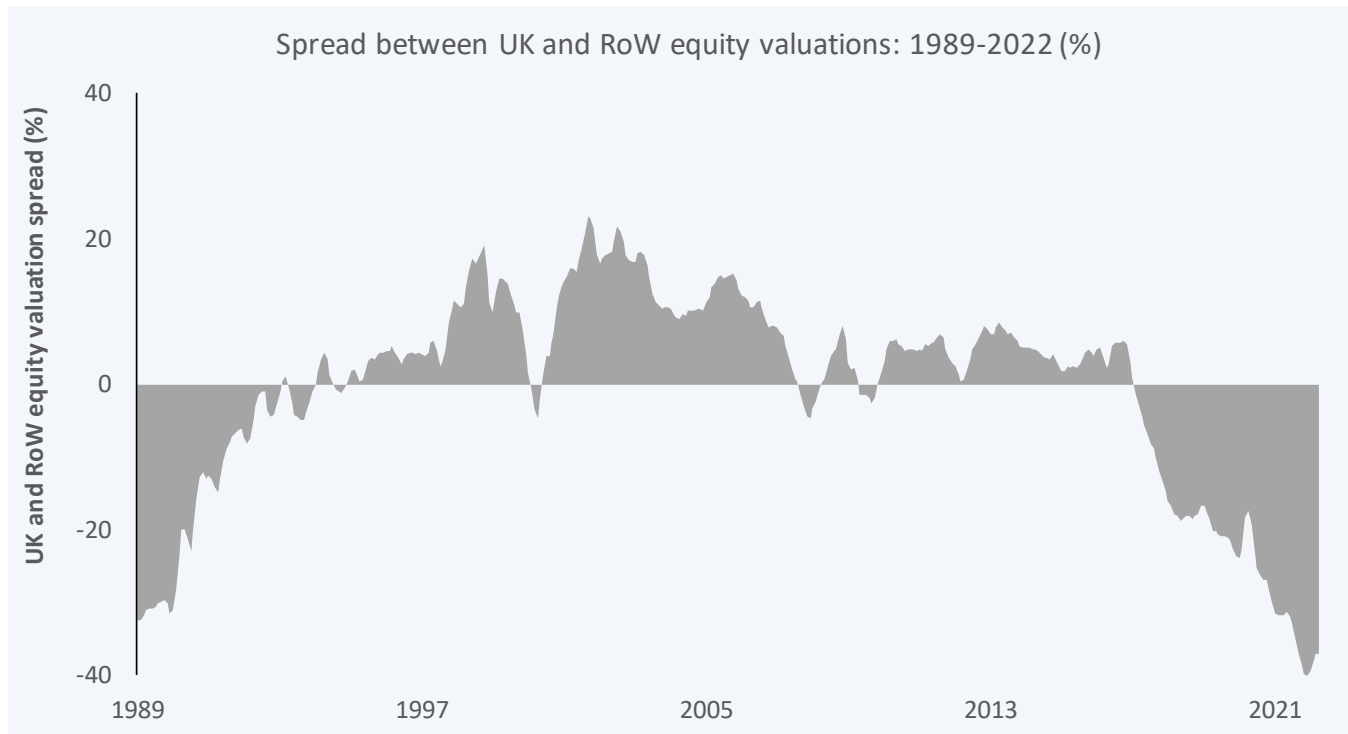
- The chart shows the value premium over the long term



*NSCI data based on extended NSCI (XIC) from 1980 and NSCI for prior dates; **ASCOT's inception date: 31/12/1990 used as opposed to 10/12/1990.

- Value picking up as the cost of money rises and investment horizons shorten

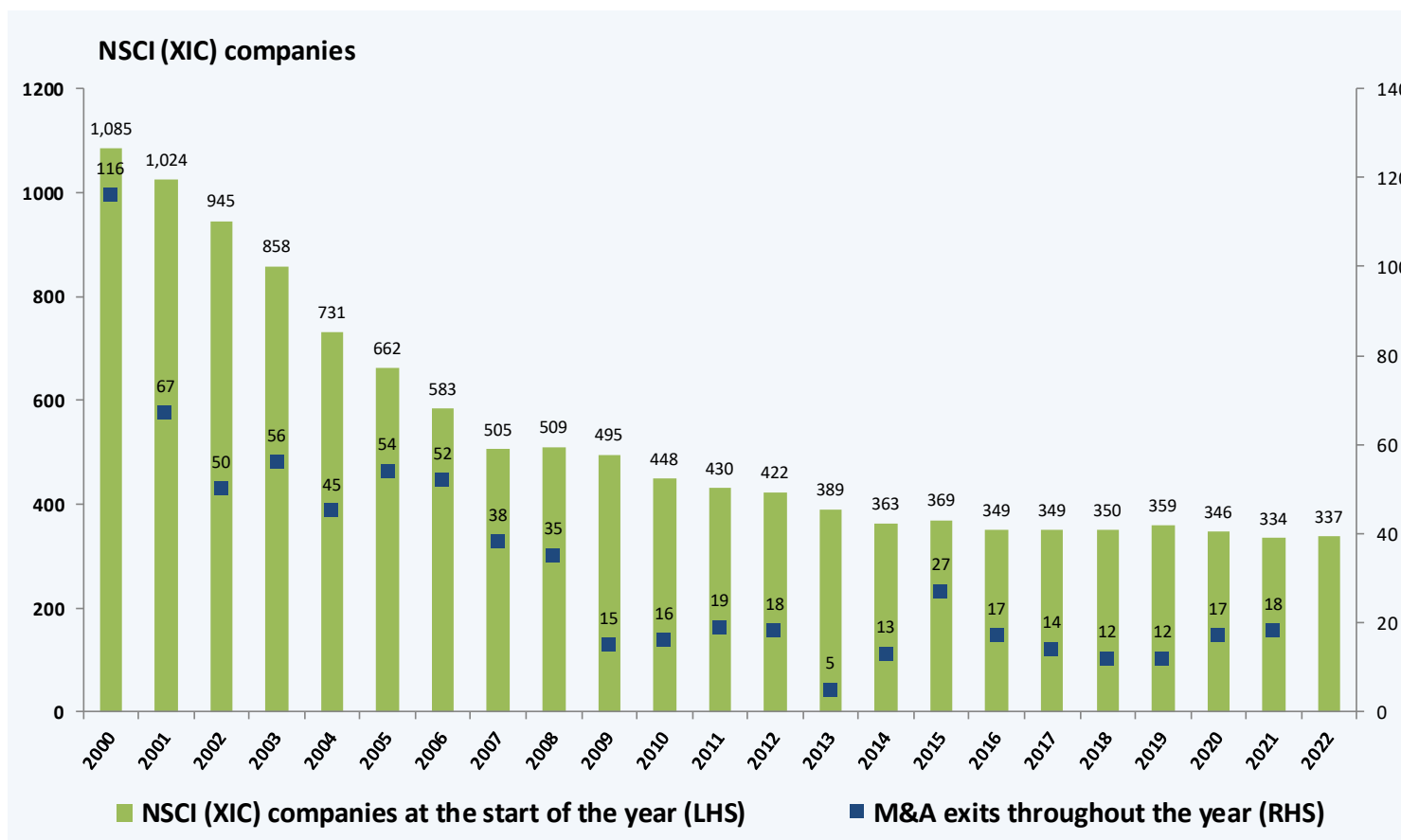
Opportunity from aversion to UK equities



UK equity valuations
37% lower than RoW

- UK equity valuations decoupled following the EU referendum, exacerbated by sector effects
- More recently, appetite for UK assets has been returning
 - Brexit terms are now understood
 - Increasing M&A interest from corporates and private equity
 - Sector effects have been positive ... resources and defensives
- However, UK valuations remain severely depressed, as the chart shows
- We see this as an opportunity, particularly among smaller companies

M&A is recovering



- 11 M&A deals announced within the NSCI (XIC) so far in 2022
 - Discipline on valuations is required: Aberforth does not support all approaches
- Appetite for IPOs struggling amid weak markets and macro uncertainties

Winners and losers – year to date



- Attribution is the contribution to *relative* performance in basis points

15 Best winners			
Rank	Company	Total return (%)	Attribution (bp)
1	EnQuest	74	121
2	Brewin Dolphin Holdings	43	94
3	Trustpilot Group	-68	51
4	FirstGroup	10	50
5	Anglo Pacific Group	36	49
6	McKay Securities	25	49
7	Wilmington	21	46
8	Wincanton	11	43
9	Petropavlovsk	-89	40
10	Go-Ahead Group	43	39
11	Lookers	26	36
12	Rathbones Group	9	33
13	Moonpig Group	-48	32
14	Capital	21	31
15	Liontrust Asset Management	-47	30

15 Worst losers			
Rank	Company	Total return (%)	Attribution (bp)
1	Reach	-42	-91
2	QinetiQ Group	30	-42
3	Energiean	38	-38
4	TI Fluid Systems	-36	-32
5	DFS Furniture	-32	-26
6	Plus500	18	-26
7	De La Rue	-29	-25
8	Wood Group (John)	17	-24
9	Rank Group	-31	-24
10	Crest Nicholson Holdings	-30	-24
11	Provident Financial	-25	-22
12	TT Electronics	-27	-21
13	RM	-30	-20
14	International Personal Finance	-21	-19
15	John Menzies	92	-19

Not held in portfolio

- Oil companies feature among both the winners and the losers
- Losers: what was the largest holding (Reach) and supply chain disruption
- Winners: the main themes are the commodity rally and M&A

Purchases and sales – year to date



Top 10 Purchases		
Rank	Company	£m
1	Energiean	2.0
2	Go-Ahead Group	0.7
3	Micro Focus	0.6
4	Rank Group	0.4
5	Mitchells & Butlers	0.4
6	Fisher (James) & Sons	0.3
7	Jupiter Fund Management	0.2
8	CMC Markets	0.2
9	Vp	0.2
10	Petrofac	0.2

Top 10 Sales		
Rank	Company	£m
1	Brewin Dolphin Holdings	7.3
2	Stagecoach Group	3.0
3	Hollywood Bowl Group	1.8
4	Forterra	1.4
5	Medica Group	1.1
6	Keller Group	1.0
7	FirstGroup	1.0
8	Reach	0.9
9	Morgan Advanced Materials	0.8
10	Rathbones Group	0.8

 New Holding or Total Sales

- 4 month annualised turnover: 9%
- “Value roll”: sale of relatively expensive stocks and reinvestment into cheaper stocks
 - In the period, average 2023 EV/EBITA of sales 7.6x vs. 4.9x for purchases
 - Bids for Brewin Dolphin, McKay and Stagecoach: flexibility to roll capital

M&A case study – wealth managers



- A consolidating industry – two of three holdings have been acquired recently

Company	Aberforth stake	Held since	Acquirer	Valuation multiple	Premium paid	Market cap
Charles Stanley	19%	2007	Raymond James	1.7% FUM	44%	£0.3bn
Brewin Dolphin	5%	2002	RBC Wealth Management	2.8% FUM	62%	£1.6bn
Rathbones	4%	2020	Brewin Dolphin FUM multiple implies c.40% upside			£1.3bn

- Underlying attractions of wealth management businesses
 - Favourable structural and demographic trends: growth cyclicals
 - High margins are achievable
 - Scale advantages
 - Sticky revenues, with growth opportunities in the likes of advice
- But the market is regularly distracted by volatile flows and sensitivity to equity prices
 - This has been the opportunity for the value investor

M&A case study – wealth managers

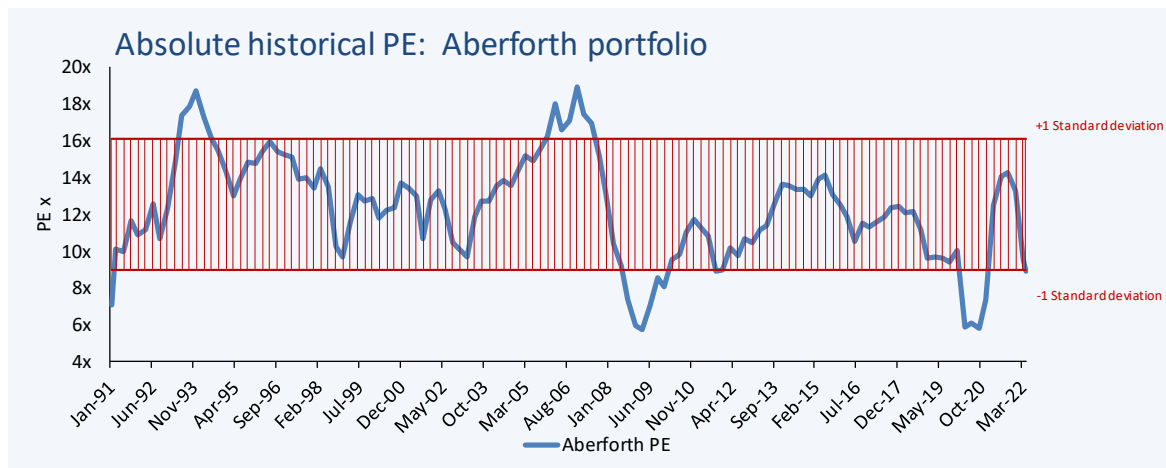


- Rathbones
 - It was the trailblazer, showing that 20%+ margins are achievable
 - The original wealth manager holding – it outgrew the NSCI (XIC) but returned in 2020
 - Our long term view of the business did not change
 - We try to take advantage of the market's inconsistency when valuations (and size) allow

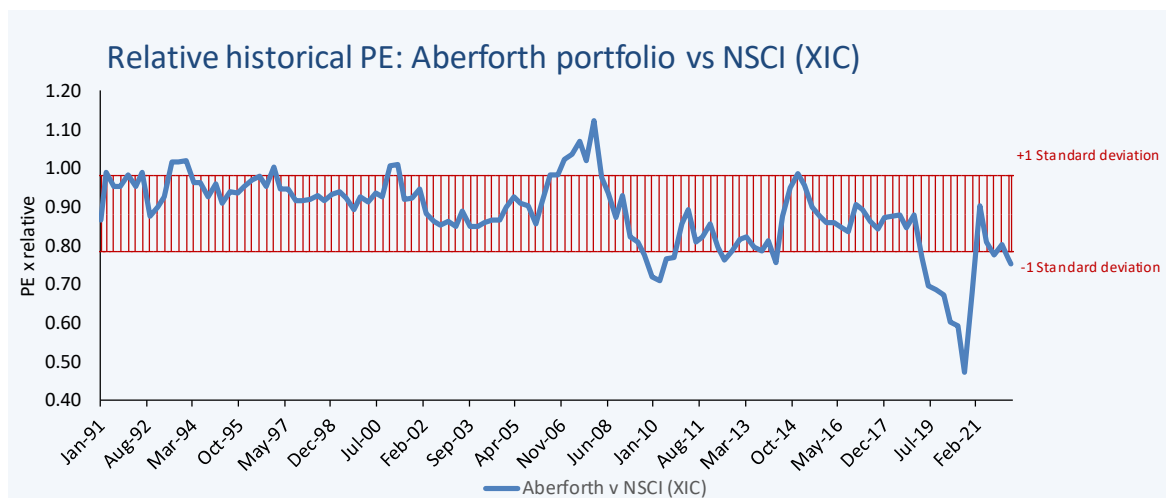
- Brewin Dolphin
 - A 20 year holding – the stockmarket never “got it” and we were being paid to wait
 - It successfully followed the path set by Rathbones, increasing margins from 10% to 22%
 - The bid perhaps came a couple of years too early, but the valuation was compelling
 - Patience, supported by regular engagement, resulted in a good outcome for investors

- Charles Stanley
 - We thought that this could follow the same path
 - But remuneration structures complicated execution – margins are still 10%
 - With extensive engagement, we realised that the original investment case was wrong
 - We averaged down – the outcome was good and we pragmatically accepted the bid

Historical PEs – contemplating slowdown



- *Aberforth absolute PE is 8.9x
 - 23% discount to its 31 year average of 11.6x
 - AFUND PE 8.7x at 30 April



- *Aberforth PE is 25% lower than the NSCI (XIC)'s
 - The 31 year average discount is 13%

Valuation – EV/EBITA



- The portfolio's valuations are low
 - Discounts of 31% to Tracked Universe and 59% to growth stocks in 2022
- Estimates are likely to decline as macro issues take their toll
 - But there is a margin of safety in these valuations

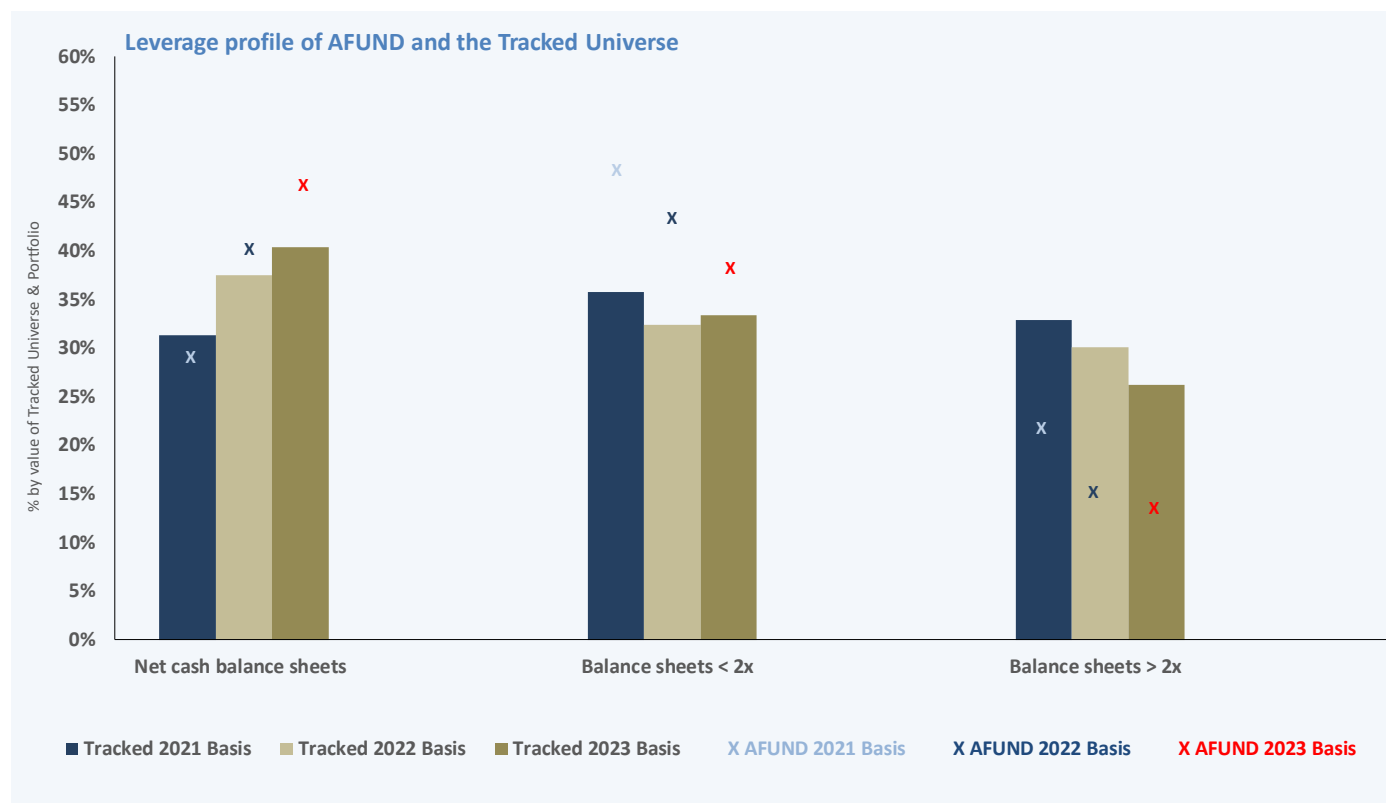
EV/EBITA	2021	2022	2023	2024	NSCI weight	Number of stocks	Weighted avg. market cap.
<i>Growth stocks</i>	17.0x	16.3x	14.5x	10.4x	23%	45	£936m
<i>The rump</i>	10.6x	8.8x	7.6x	6.6x	75%	197	£838m
Tracked Universe	11.5x	9.8x	8.4x	7.0x	98%	242	£861m
AFUND	8.3x	6.8x	6.3x	5.2x		74	£561m
Relative to Tracked (%)	72	69	74	74			

- The portfolio also stands out against 2021 M&A multiples
 - Average 2021 EV/EBITA multiple of NSCI (XIC) deals completed: **17x**

Balance sheets are strong

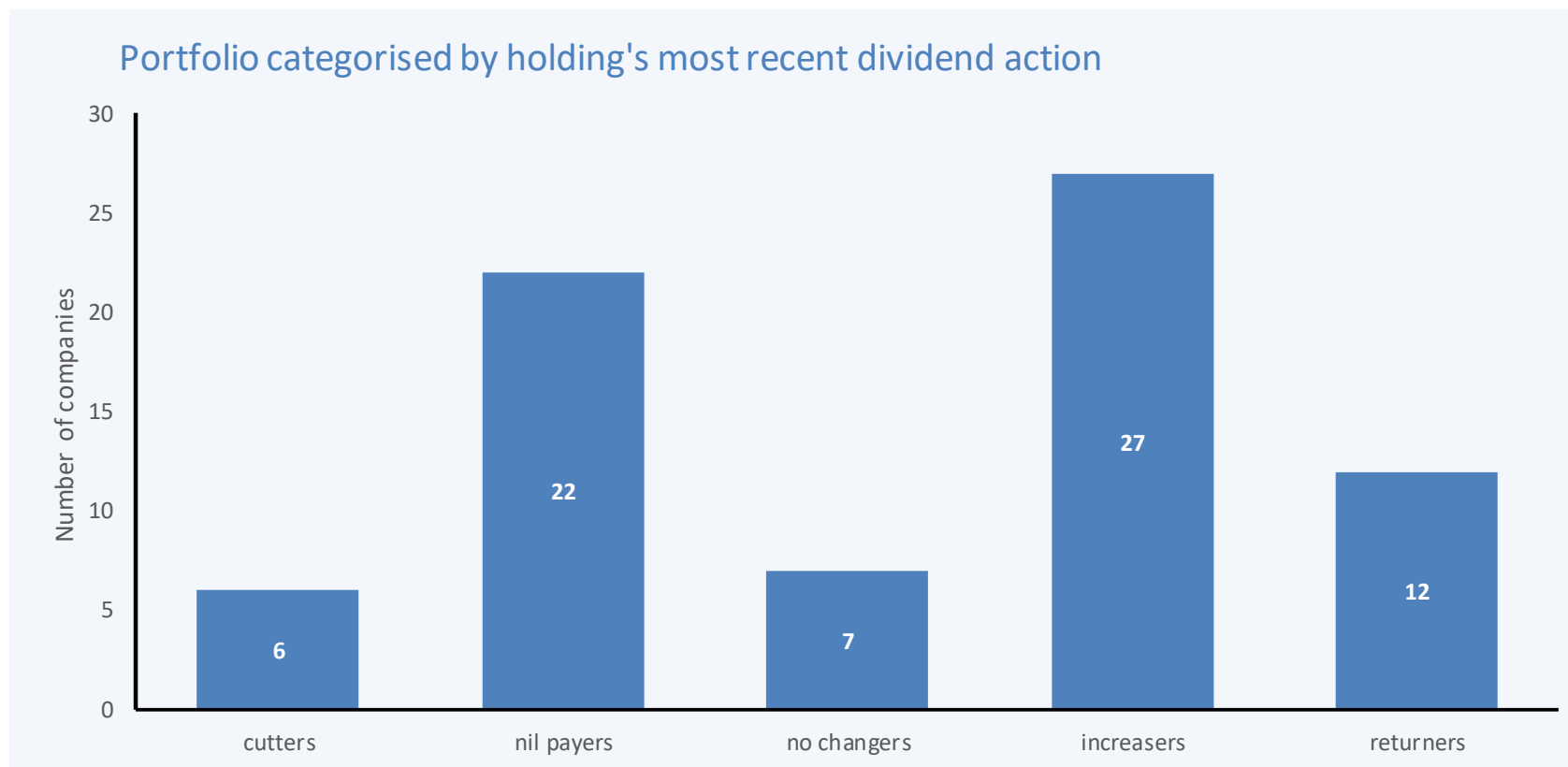


- Balance sheets have emerged from the pandemic at their strongest since 2014



- Leverage reduces further in 2022 and 2023 on current estimates
 - This reflects resilient underlying generation of free cash flow
- Companies are announcing incremental shareholder returns
 - 9 Aberforth holdings are currently buying back shares

Dividends are growing



- Dividends are recovering more quickly than we had expected
 - The main influence is the tailwind from returners
 - Some companies are still to reinstate, but the picture is one of improvement
- Special dividends are returning
 - 4 Aberforth holdings declared special dividends so far in 2022

Conclusion



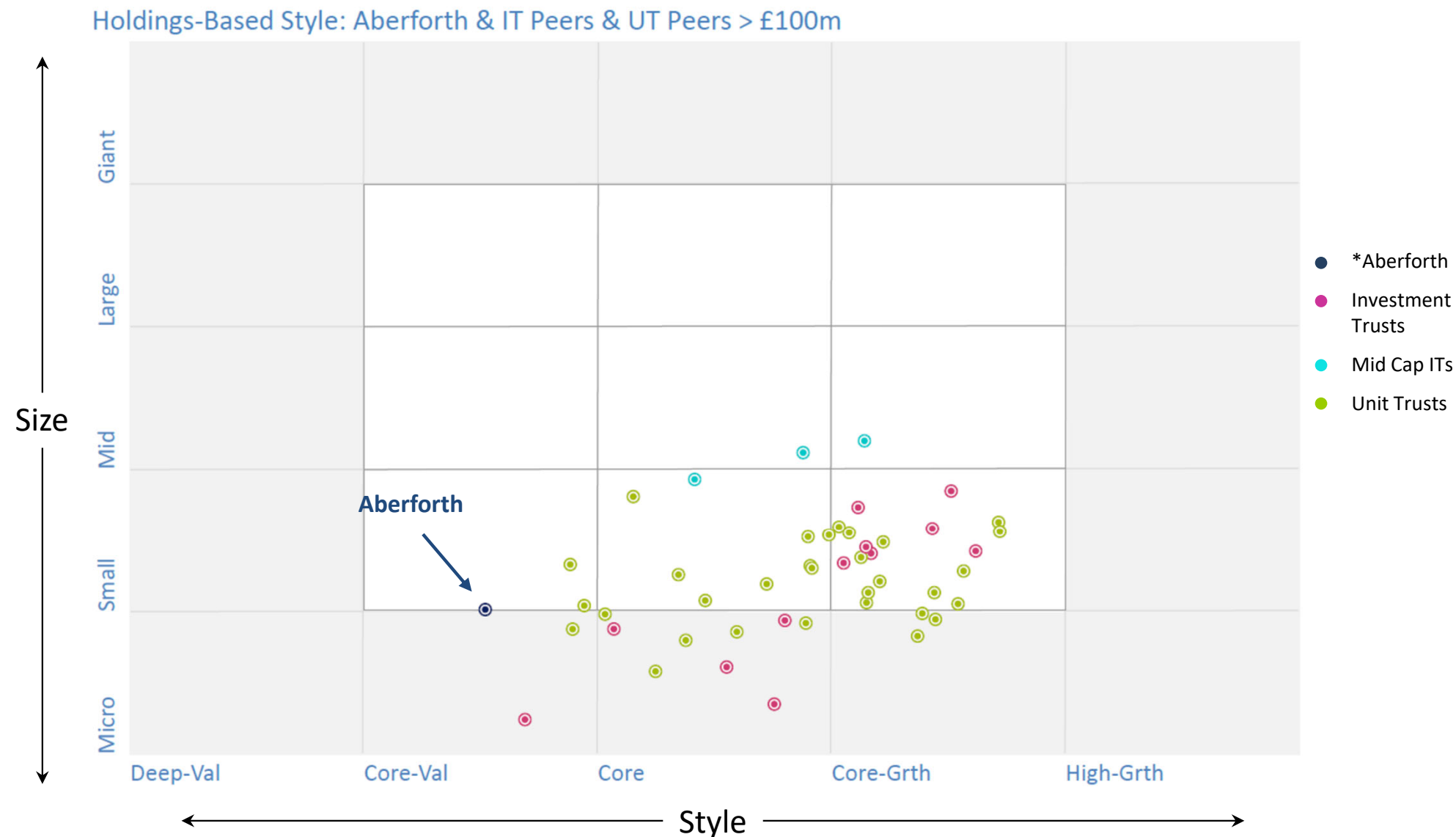
- Considerable macro economic and geopolitical uncertainty
 - Markets are contemplating issues not seen in decades

- The portfolio offers exposure to
 - An under-valued geography
 - Resilient and well managed businesses
 - Low valuations, in many cases reflecting the risk of a downturn
 - Returning M&A interest
 - The value style, which can cope relatively well when investment horizons shorten
 - And which remains differentiated ...

Morningstar style box categorisation



- Small cap fund positioning by style (x-axis) remain polarised





Appendix

AFUND – sector exposure



Sector	NSCI (XIC) weight	AFUND weight	Significant holdings
Technology	6.7%	3.5%	Micro Focus
Telecommunications	1.1%	0.0%	
Health Care	2.0%	1.5%	
Financials	17.9%	15.4%	International Personal Finance, Just Group, CMC Markets, Provident Financial, Rathbone Brothers
Real Estate	7.5%	2.9%	McKay Securities
Consumer Discretionary	18.0%	27.1%	FirstGroup, Reach, Wilmington, Marstons
Consumer Staples	4.8%	3.7%	Bakkavor Group
Industrials	26.4%	32.2%	Eurocell, Keller Group, Morgan Advanced Materials, Robert Walters, RPS Group, Senior, Vitec Group, Wincanton, SIG, Redde Northgate
Basic Materials	6.0%	7.2%	Anglo Pacific Group, Centamin
Energy	7.4%	6.5%	EnQuest
Utilities	2.2%	0.0%	

Top 20 holdings



Rank	Company	Activity	Total portfolio (%)
1	FirstGroup	Bus & rail operator	3.4
2	EnQuest	Oil & gas exploration and production	3.2
3	Rathbones Group	Private client fund manager	2.9
4	Redde Northgate	Van rental	2.9
5	Wincanton	Logistics	2.8
6	Robert Walters	Recruitment	2.6
7	Videndum	Photographic & broadcast accessories	2.4
8	Morgan Advanced Materials	Manufacture of carbon & ceramic materials	2.3
9	Micro Focus	Legacy software assets	2.3
10	Reach	UK newspaper publisher	2.3
11	McKay Securities	Property - London & South East offices	2.1
12	Just Group	Individually underwritten annuities	2.1
13	SIG	Specialist building products distributor	2.1
14	Wilmington	Business publishing & training	2.1
15	Centamin	Gold miner	2.0
16	RPS Group	Energy & environmental consulting	2.0
17	Senior	Aerospace & automotive engineering	1.9
18	Anglo Pacific Group	Natural resources royalties	1.8
19	Eurocell	Manufacture of UPVC building products	1.7
20	Provident Financial	Personal credit provider	1.7
Top 20			46.5
21 - 30			15.9
31 - 74			37.6
Actively managed portfolio with an active share of 76%			100.0

2022 growth stocks



Securities

4imprint Group	JTC
AJ Bell	Kin and Carta
Alfa Financial Software Holdings	Made Com Group
Allied Minds	Molten Ventures
Alphawave IP Group	Moonpig Group
AO World	Network International Holdings
Aptitude Software Group	Oxford Biomedica
Arix Bioscience	Oxford Instruments
Aston Martin Lagonda Global Holdings	Pensionbee Group
Baltic Classifieds Group	Pod Point Group Holdings
BATM Advanced Communications	Porvair
Bytes Technology Group	PPHE Hotel Group
Clarkson	PureTech Health
Clipper Logistics	Sanne Group
DEV Clever Holdings	SolGold
discoverIE Group	Telecom Plus
DP Eurasia	The Gym Group
FDM Group Holdings	Trainline
Genuit Group	Treatt
Gresham Technologies	Trustpilot Group
HeiQ	Volution Group
Hilton Food Group	XP Power
IP Group	Zotefoams

See slide "Valuation - EV/EBITA" for context

- The annual list of growth stocks as defined by Aberforth
 - Designated at the January index rebalance and retained for the full year

3 collective investment vehicles



	Aberforth Smaller Companies Trust (ASCoT)	Aberforth UK Small Companies Fund (AFUND)	Aberforth Split Level Income Trust (ASLIT)
Inception	December 1990	March 1991	July 2017
Structure	Closed-end	Open-end	Closed-end
Gearing	Tactical = 6.8%	N/A	Structural (ZDPs) = 24.5%
Size (AUM)	£1,456m	£170m	£217m
Number of investee companies	75	74	66
Benchmark	NSCI (XIC)	NSCI (XIC)	N/A
Investment philosophy	Value	Value	Value/Income
Management fees (<i>ongoing charges</i>)	70 bps* (75 bps)	75 bps* (77 bps)	99 bps* (123 bps)
Performance fee	No	No	No
RDR: platforms	>20	>15	>20
RDR: clean price	N/A	Yes	N/A
Authority: share buyback	Yes	N/A	No
Authority: dividends from capital	No	N/A	No
Chairman	Richard Davidson Richard.Davidson@aberforth.co.uk	N/A	Angus Gordon Lennox Angus.GordonLennox@aberforth.co.uk

* For a full explanation of the fee structure and ongoing charges, please refer to the Fund's Annual Report or visit www.aberforth.co.uk



Aberforth UK Small Companies Fund (AFUND)

As at 30 April 2022	Issue Price	Cancellation Price	Units in Issue
Accumulation Units	£301.81	£295.98	360,128
Income Units	£210.80	£206.73	269,400

Limited issue Fund with Accumulation and Income units

- value at cancellation price: £169m
- no entry or exit charged; dealing spread 2.0% (mid-basis)
- yield on Income units: 2.2%
- current distribution period ends 30 June 2022; payable 31 August 2022
- previous distribution period ended 31 December 2021; paid February 2022
- annual management fee: 0.75%; no performance fee
- 5/8 of management fee allocated to capital

Daily subscriptions and redemptions

- deals can be placed each business day prior to 4.30pm
- dual priced fund; prices calculated using closing valuations each business day
- “forward pricing”

Note: Further details available in the Fund’s Annual Report, Prospectus and Key Investor Information Document and from www.aberforth.co.uk

Investment trust



Aberforth Smaller Companies Trust plc (ASCoT)

Ordinary shares
86,951,924

- next continuation vote in March 2023 and every 3 years thereafter
- authority to buy-in up to 13,299,587 shares was granted at the AGM
- cumulative shares bought-in for cancellation since inception = 11,857,864

Gearing

- as at 30 April 2022 actual was 6.8%
- potential for up to £130m or 8.7%

Dividends

Based on the following historic actuals:

2021
35.20p

- Final announced January 2022 paid March 2022 (24.25p)
- interim announced July 2021 paid August 2021 (10.95p)

2020
33.30p

- final announced January 2021 paid March 2021 (22.90p)
- interim announced July 2020 paid August 2020 (10.40p)

2019
36.00p

- interim announced July 2019 paid August 2019 (10.00p)
- final announced January 2020 paid March 2020 (22.00p)
- special announced January 2020 paid March 2020 (4.00p)

Note: Further details available in the Fund's Annual Report and from www.aberforth.co.uk

Investment trust



Aberforth Split Level Income Trust plc (ASLIT)

Ordinary shares
190,250,000

- all net income, plus all net assets on a winding up – after ZDP entitlements met

Zero Dividend Preference
(ZDP) shares
47,562,500

- no dividends, but final capital entitlement of 127.25p on planned winding up date

Life

- planned winding up date: 1 July 2024

Gearing

- structural gearing via the ZDP shares

Dividends

Based on the following historic actuals:

2022

- First interim paid March 2022 (1.51p)

2021

3.05p

- First interim paid March 2021 (0.92p)
- Second interim paid August 2021 (2.13p)

2020

4.22p

- First interim paid March 2020 (1.51p)
- Second interim paid August 2020 (2.71p)

Note: Further details available in the Fund's Prospectus and from www.aberforth.co.uk

Glossary – Aberforth Funds



- **Aberforth's investment philosophy and putting it into practice is explained further at www.aberforth.co.uk/about-Aberforth/.**
- **Aberforth Standard Value** is based on Aberforth Smaller Companies Trust plc, Aberforth's longest standing client.
- **Accumulation Units:** units not receiving a cash payment representing income; rather, income will be included in the value of the units.
- **Active Share** is calculated by summing the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all the stocks in the portfolio or index. The total is then divided by two to give a ratio between 0% and 100%.
- **AUM:** Assets Under Management.
- **CAGR:** Compound Annual Growth Rate; this is the annualised rate of growth over the specified time period.
- **Cancellation** refers to the cancellation of units by the Trustee.
- **Discount** is the amount by which the stockmarket price is lower than the Net Asset Value, or NAV, per Share. The discount is normally expressed as a percentage of the NAV per Share. The opposite of a discount is a premium.
- **DPS:** Dividend Per Share.
- **ESG:** Environmental, Social and Governance.
- **EV/EBITA:** Enterprise Value divided by Earnings Before Interest, Tax and Amorisation.
- **EV/EBITDA:** Enterprise Value divided by Earnings Before Interest, Tax, Depreciation and Amorisation.
- **Funds:** **ASCoT** – Aberforth Smaller Companies Trust plc; **ASLIT** – Aberforth Split Level Income Trust plc; **AFUND** – Aberforth UK Small Companies Fund.
- **Gearing** is the use of debt to increase capital.
- **Issue** refers to the issue of units by the Trustee.
- **Hurdle rate** is the rate of capital growth per annum to return a stated amount per share at the planned winding-up date.
- **Income Units** entitle the holder to a cash distribution representing the net income attributable to that unit at each income allocation date.
- **IPO:** Initial Public Offering.
- **Leverage** is a measurement of the use of debt.
- **M&A:** Mergers and Acquisitions.
- **Net Asset Value (ZDP Share)** is the value of the entitlement to the ZDP Shareholders.
- **NSCI (XIC):** Numis Smaller Companies Index (excluding Investment Companies).
- **PE:** Price-Earnings ratio (P/E ratio).

Glossary – Aberforth Funds



- **Redemption Yield (Ordinary Share)** is the annualised rate at which projected future income and capital cash flows (based on assumed future capital/dividend growth rates) is discounted to produce an amount equal to the share price at the date of calculation.
- **Redemption Yield (ZDP Share)** is the annualised rate at which the total discounted value of the planned future payment of capital equates to its share price at the date of calculation.
- **Retained Revenue** is the accumulated income that has not been distributed.
- **Rump** is the Tracked Universe, adjusted to exclude the growth stocks.
- **Terminal NAV (Ordinary Share)** is the projected NAV per Ordinary Share at the planned winding-up date at a stated rate of capital growth in the company's investment portfolio after taking into account the final capital entitlement of the ZDP Shares, future estimated costs charged to capital and estimated winding-up costs.
- **Tracked Universe** refers to those constituents of the NSCI (XIC) that Aberforth follows closely and whose financial characteristics are aggregated on internal systems.
- **Total return:** capital appreciation plus reinvested dividends.
- **Turnover** is calculated by summing the lesser of purchases and sales and dividing by the average portfolio value.
- **Unit:** an equal portion representing part ownership of a unit trust fund.
- **Value style:** the strategy by which all Aberforth's portfolios are invested.
- **Value Premium:** the relative out/(under) performance of the value investment style.
- **ZDP:** Zero Dividend Preference shares are a share class that receive no dividends. Instead, holders receive a fixed capital payment on the redemption date.



Important information

Important information



- Throughout this presentation references to: SMALL COMPANIES mean constituents of the Numis Smaller Companies Index (Excluding Investment Companies) which are referred to as “NSCI (XIC)”; LARGE COMPANIES mean constituents of the FTSE All-Share Index which are referred to as “FTAS”; total return means with dividends reinvested (prior to 2.7.97 with gross dividends reinvested thereafter with net dividends reinvested); and Aberforth clients’ portfolio characteristics use one of Aberforth’s “Standard Value” clients as representative unless otherwise stated.
- Sources of data used in the presentation are detailed on the relevant pages. Source references to London Business School refer to Numis/Paul Marsh and Elroy Dimson – London Business School.
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Risk warnings



- Capital may be at risk as the value of investments may go down as well as up and is not guaranteed; therefore investors may not get back the amount originally invested.
- Past performance is not a guide to future performance, nor a reliable indicator of future results or performance.
- Investments in shares of smaller companies are generally considered to carry a higher degree of risk as the market for their shares is often less liquid than that for shares of larger companies, making shares of smaller companies more difficult to buy and sell. Smaller companies can also be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.
- The performance of shares of smaller companies may be more volatile than the shares of larger companies over short time periods; therefore investors should regard such investments as long term.
- Unless the performance of an investment meets or exceeds the rate of inflation, the real value of that investment will reduce.
- Changes in economic or political conditions or other factors can substantially and potentially adversely affect the value of investments and, accordingly, the performance and prospects of the funds managed by Aberforth Partners LLP or Aberforth Unit Trust Managers Limited.
- The market price of securities issued by the Fund may fluctuate significantly and investors may not be able to sell their securities at or above the price at which they acquired them. Securities markets have in the past experienced extreme volatility that has often been unrelated to the operating performance of particular companies. Any broad market fluctuations may adversely affect the market price of the units issued by the Fund.
- There can be no guarantee that the investment objective of the Fund will be achieved or provide the returns sought by the Fund.

Risk warnings



- The dealing spread of Aberforth UK Small Companies Fund, which represents the difference between the buying and selling prices, will have an impact on the realisable value of any investment made in this fund, particularly in the short term. To mitigate the impact of capital erosion, investors should regard investments in this fund as long term.
- Tax legislation and the levels of relief from taxation can change at any time. Any change in the tax status of the Fund or in tax legislation could affect the value of the investments held by the Fund or affect its ability to provide returns to its investors. The tax treatment of an investment, and any dividends received, will depend on the individual circumstances of the investor and may be subject to change in the future. If investors are in any doubt as to their tax position, they should consult their professional adviser.
- An investment in the Fund is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from such an investment (which may be equal to the whole amount invested). Such an investment should be regarded as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.