

# Aberforth Partners LLP

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## Presentation to ASCoT Investors May 2023

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ABERFORTH PARTNERS

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Aberforth Partners LLP is authorised and regulated by the Financial Conduct Authority

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- Small UK quoted companies with a value investment philosophy
  - A consistent investment process deployed by a well-resourced team
  
- Prioritising existing clients
  - Self-imposed AuM ceiling of 1.5% of the NSCI (XIC)'s market cap
  - Closed-end funds account for the majority of AuM
  
- Stock selection backed up by active and discreet engagement
  - Enhanced by recently completed ESG database module
  - It's worth engaging on anything that affects a company's value
  
- Biggest ever rebalancing of the NSCI (XIC) on 1 January 2023
  - 29 companies – “fallen angels” – added to the index

# Total returns to 30 April 2023



Total Return %	YTD	1 Year	CAGR			ASCoT inception
			3 Year	5 Year	10 Year	
FTSE All-Share	6.5	6.0	13.2	4.4	6.1	8.2
FTSE 250 (XIC)	5.8	-2.4	8.7	1.0	5.8	10.5
FTSE SmallCap (XIC)	2.1	-8.9	15.0	2.7	7.7	7.7
NSCI (XIC)	4.8	-3.0	11.9	1.5	6.5	9.7
ASCoT NAV	2.7	-2.7	17.6	1.4	7.4	11.8
ASCoT share price	-1.2	-2.3	15.7	1.0	7.6	11.5
AFUND	2.8	-2.6	16.3	1.3	7.2	*
Inception date for ASCoT was 10/12/1990			* AFUND from inception 20/03/1991			11.2
			NSCI (XIC) from AFUND inception 20/03/1991			9.2

- Investment trust discounts widening year to date
  - Average of Morningstar's UK small company trusts from 6.0% to 9.1%
  - ASCoT from 9.8% to 13.5%



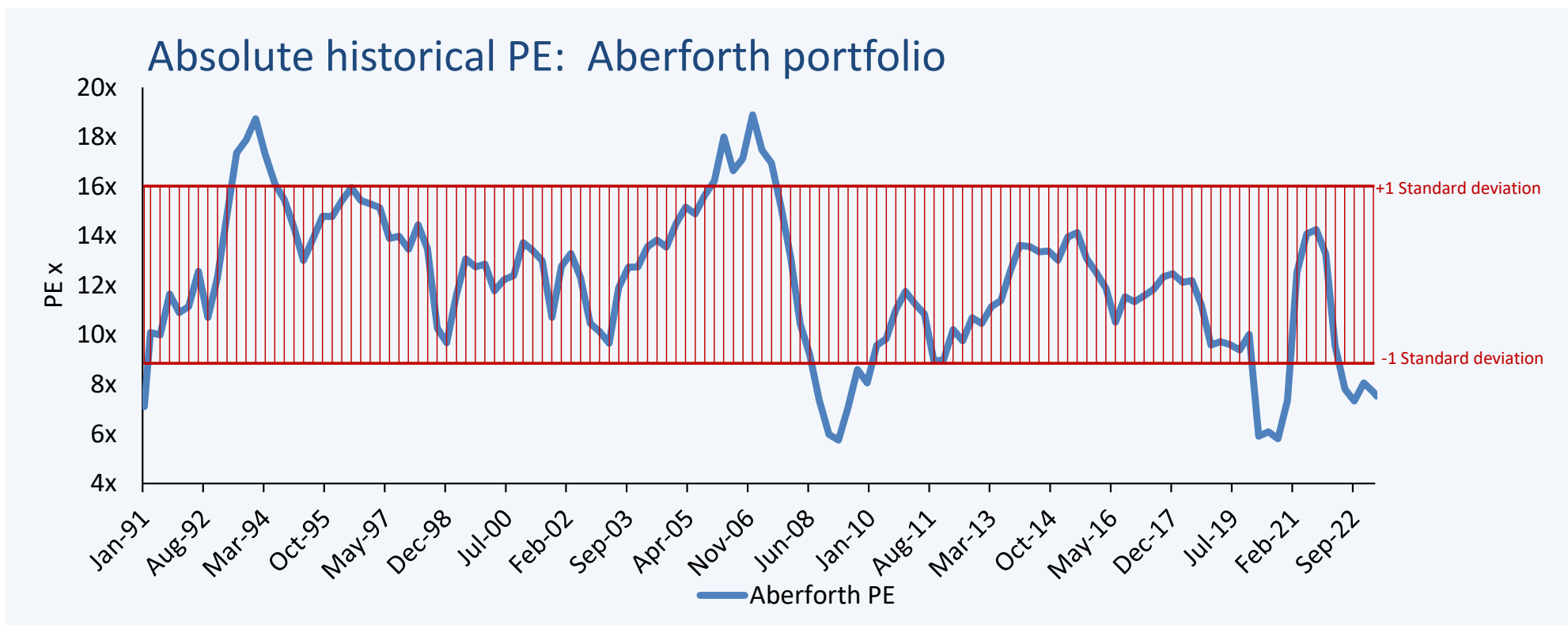
- Why have institutional allocations to UK equities declined?
  - Higher inflation and interest rates compress valuations
  - Politics – Brexit, Kwarteng Budget, General Election
  - Low liquidity, exacerbated by institutional consolidation
- But these are all known risks and are reflected in layers of under-valuation

PE relatives:	30 April 2023	32 year average
– UK vs. rest of the world *	0.74	0.85
– Small cap vs. large cap	0.76	0.89
– Portfolio <sup>#</sup> vs. small cap	0.76	0.86

\* Source: Panmure Gordon  
# Aberforth standard value portfolio

- And ASCoT has another layer in its 13.5% share price discount to NAV
- Valuations are towards their most attractive in Aberforth's 32 years
  - This is not sustainable!

# Portfolio's historical PE – unusually low



- A historical PE of 7.5x has been supportive of good medium-term returns
- The risk of economic slowdown is arguably already in the price
  - Earnings declined by c.30% in the early 1990s recession (over 3 years)
  - A repeat would imply a forward PE below the long term average



# Forward valuations – EV/EBITA

- 2022 was a good year for UK small companies' profits and dividends
  - Growth with cost pressures successfully passed through
  - Higher working capital to accommodate supply chain stress
- Our central assumption for 2023 – **slowdown**

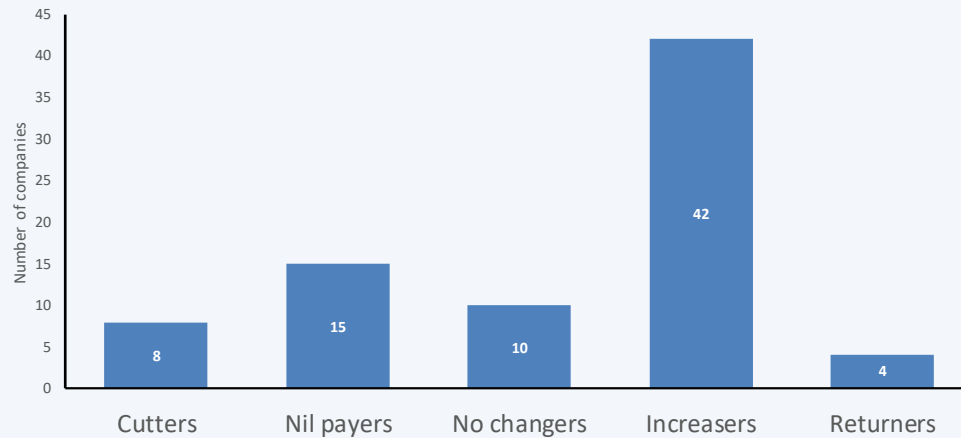
EV/EBITA	Number of stocks	2022	2023	2024	
ASCOT	79	6.8x	6.7x	6.3x	Low portfolio valuation in absolute and relative terms
Tracked Universe	237	9.7x	9.8x	9.0x	Small cap profits are likely to fall modestly in 2023 as the economy slows
<i>Growth stocks</i>	40	14.1x	12.8x	12.4x	
<i>Other stocks</i>	197	9.1x	9.3x	8.4x	Growth stocks still on a wide valuation premium
<i>Stocks &lt; £600m mkt. cap.*</i>	148	7.3x	7.9x	7.0x	
<i>Stocks &gt; £600m mkt. cap.*</i>	89	11.3x	10.9x	10.1x	The most attractive valuations are among the "smaller smalls", in which ASCoT is over-weight

\*Roughly FTSE 250 (or "larger smalls") vs. FTSE SmallCap (or "smaller smalls")

# Income growth from the portfolio and ASCoT

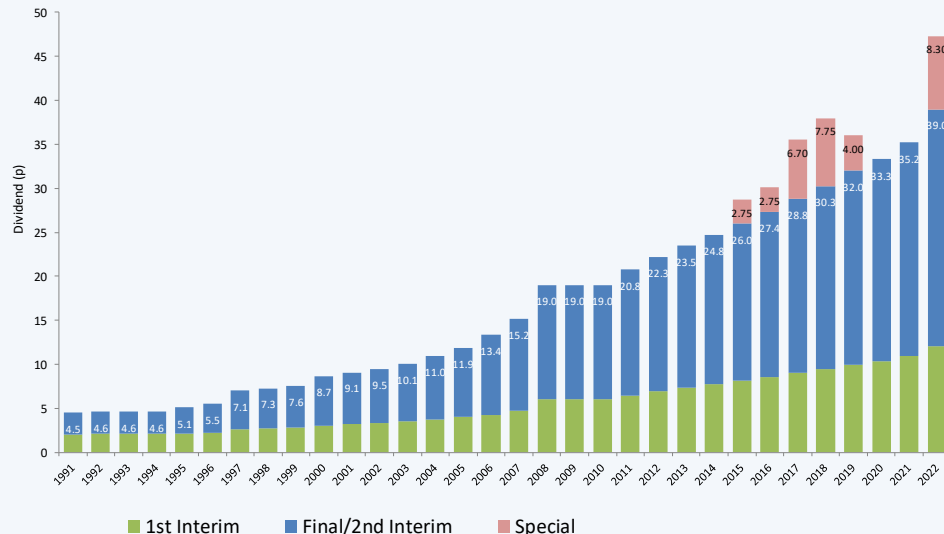


Portfolio categorised by holding's most recent dividend action



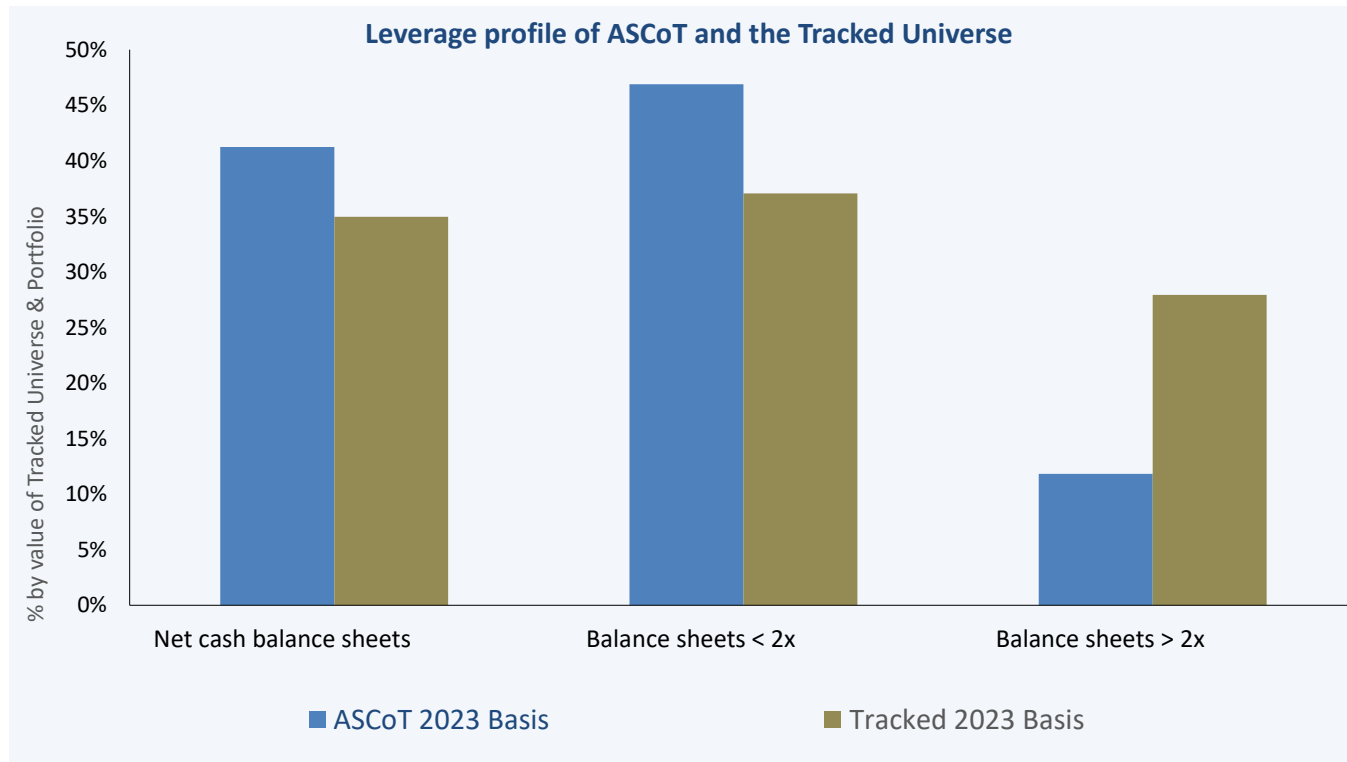
- Portfolio dividend experience remains strong
- Portfolio yield of 3.9%
- Some offset to economic headwinds from
  - Dividend cover of 3.4x
  - Strong balance sheets
  - Scope for more Nil Payers to return

ASCoT dividend per share (p)



- ASCoT's dividend per share record
  - Inception to 2022 +7% p.a.
  - Financial crisis to 2022 +5% p.a.
  - 2022 (ex special dividends) +11% YoY
- Revenue reserves at 31 December 2022
  - 69.9p equivalent to c.1.8 years

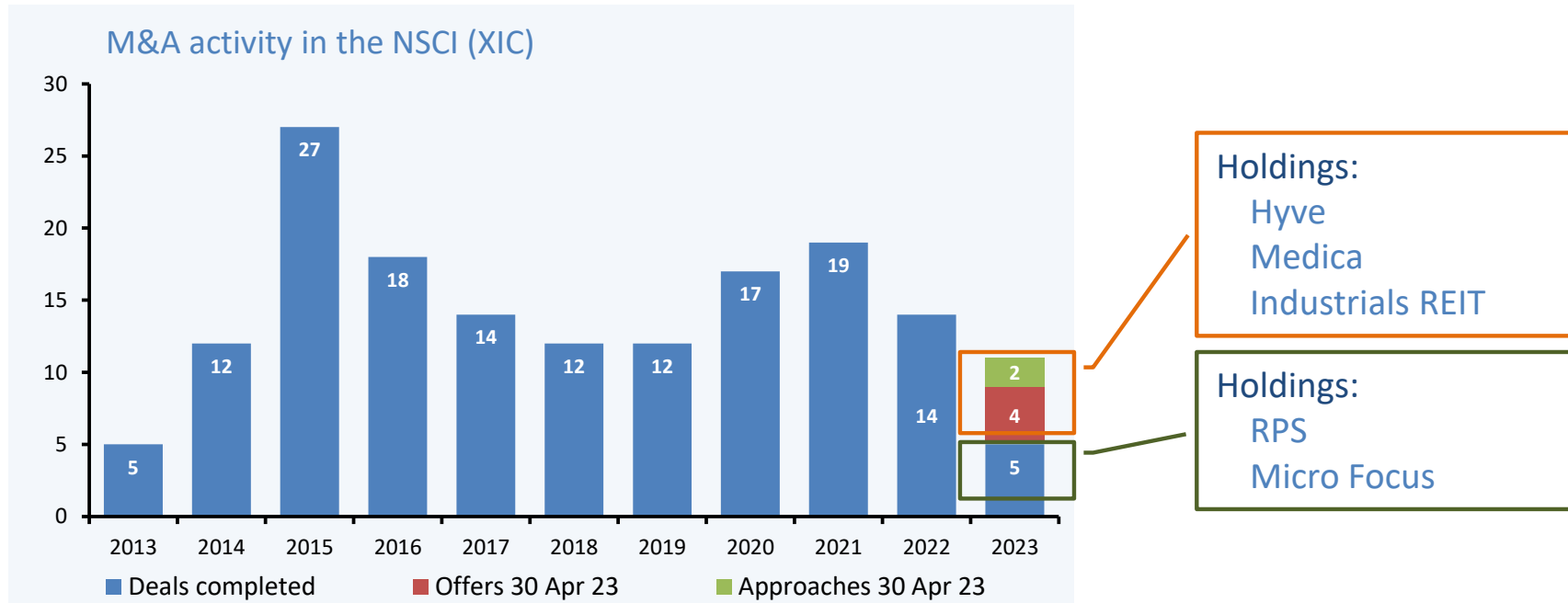
# Strong balance sheets



- Balance sheets strongest since 2014
  - Both portfolio and index – unusual at this stage in the cycle
- Higher bond yields are favourable to pension deficits
  - Bodes well for free cash flow and less of a barrier to M&A
- Supports ASCoT still being geared for the fourth time in 32 years: 5.6% geared
  - Three year facility with RBSI refinanced at 115 bps over SONIA



# M&A – buy now, while stocks last?



- We are not alone in seeing value in the UK – other companies in 2022 and now private equity
  - Global “dry powder” building for almost a decade and set another record in 2022
  - Multiple arbitrage means healthy IRRs for private equity, levered and unlevered
  - 2023 EV/EBITDA multiples: average for nine NSCI (XIC) deals to date 12.5x versus 5x for ASCoT
- The typical 30% control premium often does not get close to our view of value
  - Aberforth therefore does not support all approaches

# Top-down influences on year-to-date performance



- Equity markets are beholden to US monetary policy
  - Looking for a peak in inflation and interest rates
- Widespread disenchantment with UK equity markets
  - But signs of political pragmatism and a more resilient economy
- Style – a mixed picture
  - Value modestly ahead of growth within the NSCI (XIC) year-to-date
  - But broader climate very growthy – FANGS up by almost 40% over 4 months
    - Momentum reversal – anticipation of a turn in the interest rate cycle

# Winners and losers – year to date



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

10 Best winners				10 Worst losers			
Rank	Company	Total return (%)	Attribution (bp)	Rank	Company	Total return (%)	Attribution (bp)
1	SIG	50	62	1	Wincanton	-36	-93
2	International Personal Finance	43	48	2	Videndum	-25	-53
3	Card Factory	40	45	3	EnQuest	-22	-52
4	Medica Group	51	43	4	THG	128	-50
5	Senior	32	41	5	De La Rue	-47	-48
6	Spirent Communications	-29	39	6	Robert Walters	-18	-48
7	Ricardo	25	30	7	Aston Martin Lagonda Global Holdings	57	-44
8	Ferrexpo	-31	24	8	Wood Group (John)	67	-43
9	Hyve Group	63	21	9	Wilmington	-12	-41
10	S4 Capital	-23	21	10	Ecora Resources	-20	-36

Not held in portfolio

# Purchases and sales – year to date



Top 10 Purchases			
Rank	Company		£m
1	Close Brothers Group	▲	22.3
2	Redrow	▲	14.0
3	NCC Group		13.8
4	PageGroup	▲	7.5
5	MJ Gleeson Group		6.9
6	Workspace Group		6.6
	ASCoT buybacks		6.6
7	Avon Protection		5.4
8	TI Fluid Systems		4.2
9	C&C Group		3.4

Top 10 Sales			
Rank	Company		£m
1	RPS Group		28.2
2	Energiean	▲	22.0
3	Vanquis Banking Group		14.3
4	Hyve Group		13.2
5	Medica Group		11.0
6	Petrofac		5.5
7	Senior		5.1
8	Rathbones Group		4.9
9	Industrials REIT Limited		4.0
10	Redde Northgate		3.9

■ New Holding or Total Sales

▲ New entry/exit following index rebalance 1 January 2023

- Basic dynamic: buy companies with high upsides and sell those with low upsides
  - This “value roll” resulted in 12 month turnover of 21%
- Index rebalancing
  - Sold: Energiean
  - Holdings in four “fallen angels”: Bodycote, Close Brothers, PageGroup, Redrow

# Bodycote – a fallen angel



- Activity Global heat treatment and surface coating
- The market's view A victim of the economic cycle and ESG
- Our view Strong management able to handle the cycle  
Secular growth – capital deployment & Specialist Technologies  
Resilience – cash generative through the cycle  
ESG is an opportunity – “Scope 4” benefits

Attractive financials

Normalised margins > 18%, ROCE > 22%

Valuation

2024 EV/EBITA 8.5x at purchase, 10.0x today

Upside of 72% on purchase

Depressed multiple on cyclically depressed profits

## *Attributes of Aberforth's process*

- Experience Our third time holding Bodycote over 25 years
- Consistency Our view of the business's worth *versus* share price volatility
- Nimbleness Quick to move when it looked likely to fall into the NSCI (XIC)

# Top 20 holdings



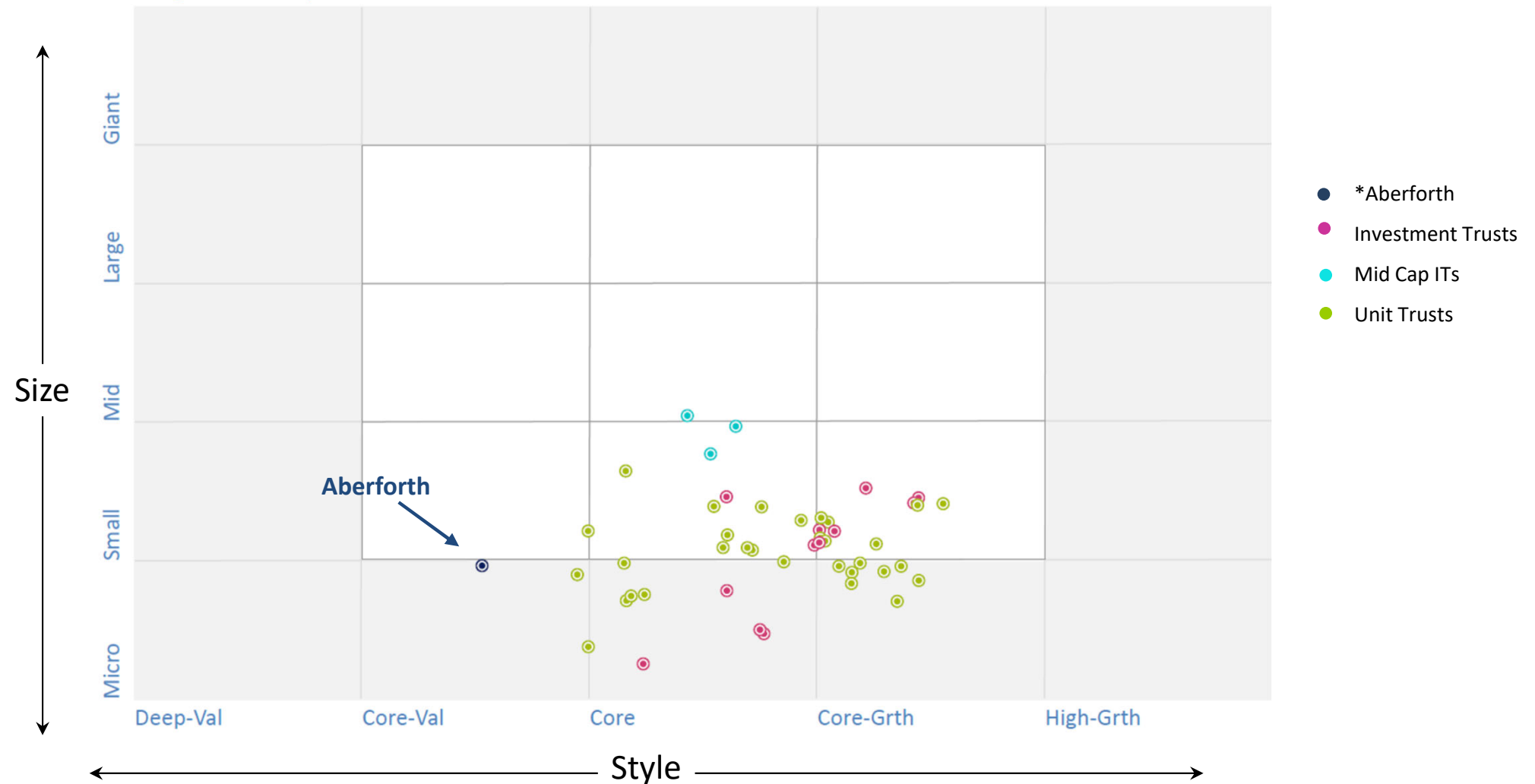
Rank	Company	Activity	Total portfolio (%)
1	FirstGroup	Bus & rail operator	3.7
2	Morgan Advanced Materials	Manufacture of carbon & ceramic materials	2.9
3	Redde Northgate	Van rental	2.7
4	Centamin	Gold miner	2.5
5	SIG	Specialist building products distributor	2.4
6	Just Group	Individually underwritten annuities	2.3
7	Wilmington	Business publishing & training	2.3
8	Senior	Aerospace & automotive engineering	2.2
9	Vesuvius	Metal flow engineering	2.2
10	Rathbones Group	Private client fund manager	2.1
11	Ricardo	Environmental & engineering consulting	2.1
12	Card Factory	Retailing - greetings cards	2.0
13	Bodycote	Engineering - heat treatment	2.0
14	Rank Group	Multi-channel gaming operator	1.9
15	Conduit Holdings	Bermuda based (re)insurer	1.9
16	Robert Walters	Recruitment	1.9
17	International Personal Finance	Home credit provider	1.9
18	Crest Nicholson Holdings	Housebuilding	1.8
19	C&C Group	Brewer and drinks distributor	1.8
20	Wincanton	Logistics	1.8
Top 20			44.3
21 - 30			16.1
31 - 79			39.6
Actively managed portfolio with an active share of 75%			100.0

# Aberforth's differentiation



- The pricing basis of financial markets has changed as interest rates rise
  - But style positioning among peers has changed little

Holdings-Based Style: Aberforth & IT Peers & UT Peers > £100m





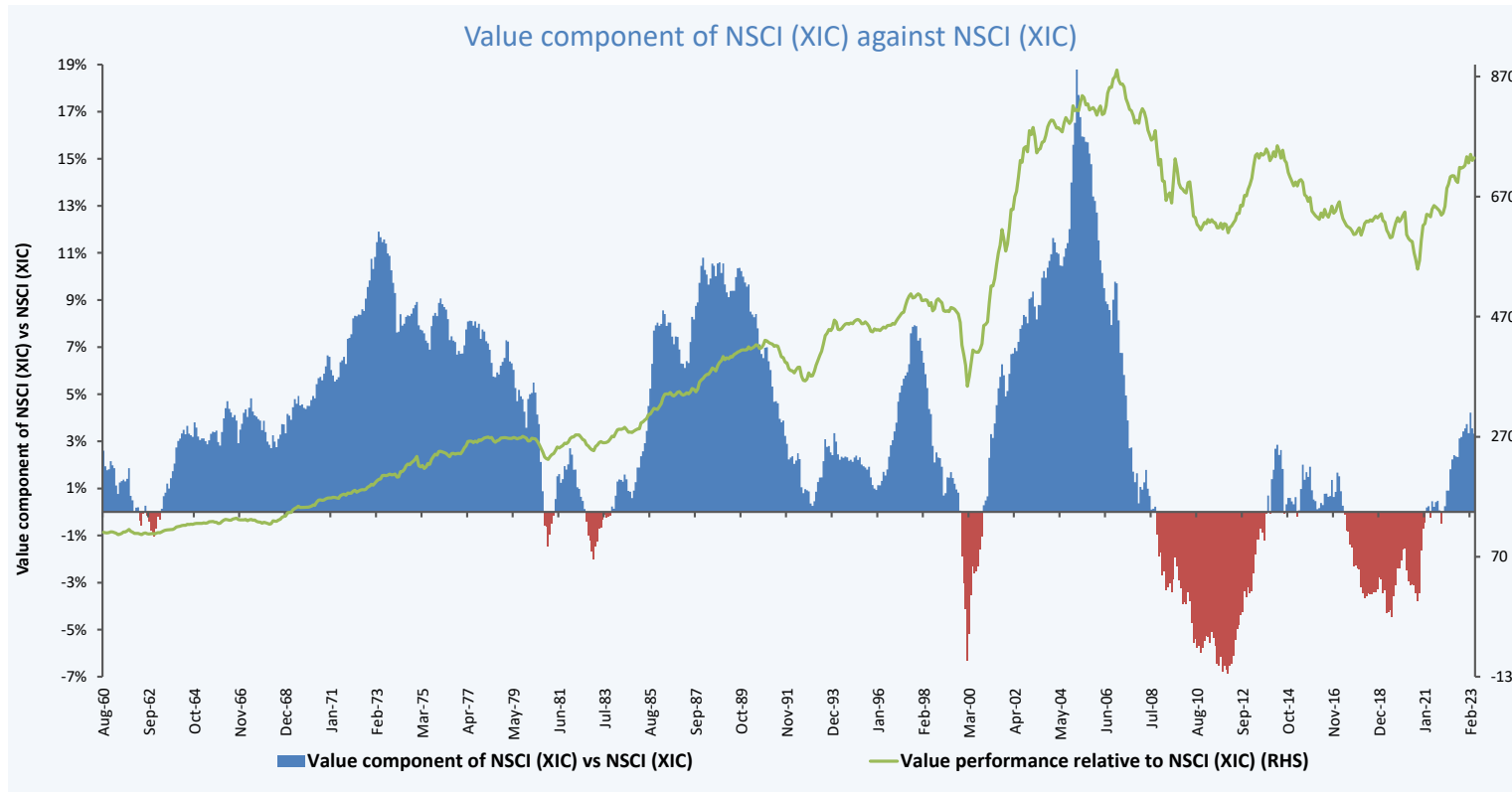
- UK – a fascinating two-way opportunity
  - Signs that the credibility gap – and valuation discount – can narrow
  - If not, there is a takeover premium to be harvested
- Global economic backdrop likely to remain uncertain
  - Small UK quoted companies are resilient
- Portfolio – differentiated by value style, process and engagement
  - Valuations towards their most attractive in 32 years
- ASCoT remains geared into the opportunity





# Appendix

# Value – a tailwind



## ■ The long-term perspective

– NSCI (XIC) value premium since

– Index's inception: +3.3% p.a.

– ASCoT's inception: +1.8% p.a.

– The value premium is re-emerging

– The ZIRP equilibrium since the financial crisis is being questioned

# Results review of December year end companies

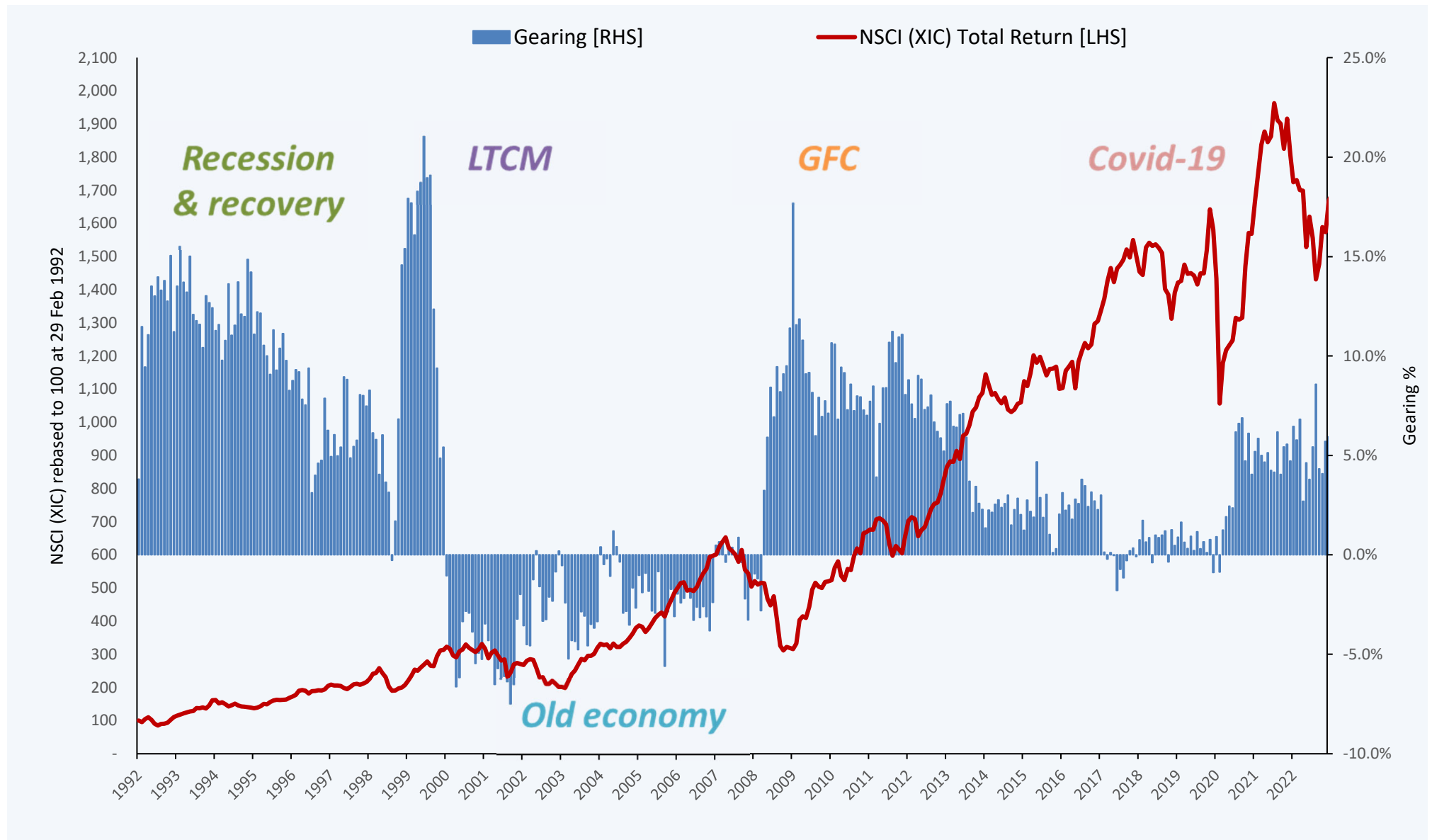


	2021	2022	Aggregate Δ YoY	Median Δ YoY	2023	Aggregate Δ YoY	Median Δ YoY
Sales	£66bn	£76bn	15%	19%	£78bn	2%	4%
% with higher sales		85%			64%		
EBITA	£5.9bn	£5.6bn	-6%	8%	£6.5bn	17%	-1%
% with higher EBITA		62%			48%		
Margin	9.0%	7.3%			8.4%		
% with higher Margin		46%			48%		
Capex to depreciation ratio	1.11x	1.30x			1.25x		
% with ratio > 1	53%	59%			63%		
Aggregate net debt	£10bn	£12bn			£14bn		
% with a stronger balance sheet		30%			63%		

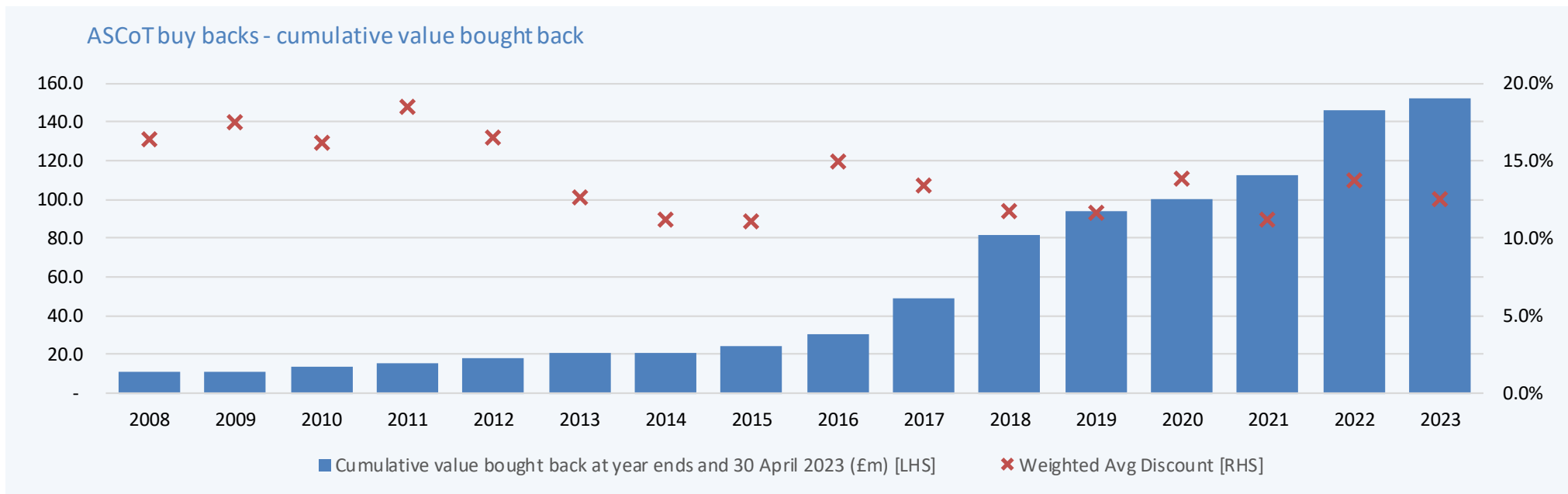
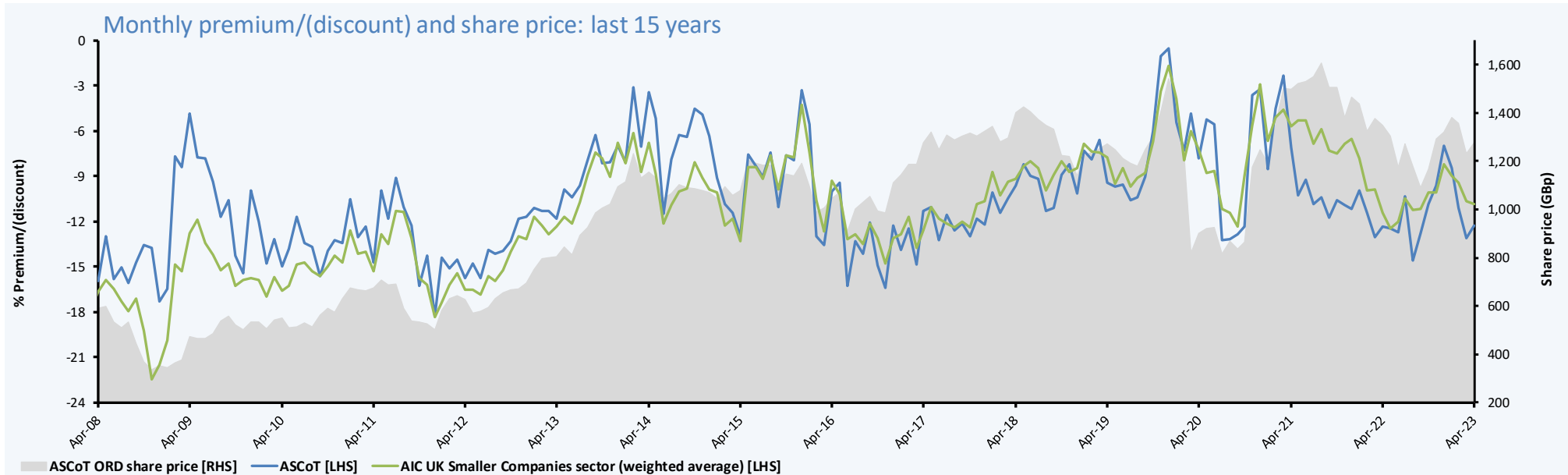
All figures exclude resources companies on account of their volatile profits and banks due to their distortive balance sheets

- 91 companies reported – a useful cross section of small UK quoted companies
- Success in passing on inflationary pressures
- Increased investment bodes well
- Net debt higher owing to acquisitions

# Gearing



# ASCoT – share price, discount and buy-backs



# ESG framework and methodology



Factors	Environmental	Social	Governance
Sub factors	<ul style="list-style-type: none"> <li>Climate change</li> <li>Pressure on natural resources</li> <li>Pollution and waste</li> </ul>	<ul style="list-style-type: none"> <li>Employee culture</li> <li>Health and safety</li> <li>External stakeholders</li> <li>Product liability and consumer protection</li> </ul>	<ul style="list-style-type: none"> <li>Board composition and succession</li> <li>Effectiveness</li> <li>Remuneration and alignment</li> <li>Capital allocation</li> <li>Ethics</li> </ul>
Metrics & Data	<ul style="list-style-type: none"> <li>GHG Scope 1, 2 and 3</li> <li>Carbon offset</li> <li>Freshwater consumed</li> <li>Net Zero target year</li> <li>Sustainability linked loans</li> <li>Member of SBTi</li> <li>TCFD compliant</li> </ul>	<ul style="list-style-type: none"> <li>% Female in workforce</li> <li>% Female senior manager</li> </ul>	<ul style="list-style-type: none"> <li>% overall board female</li> <li>% executive board female</li> <li>% independent non-Exec</li> <li>Ethnic diversity of board</li> <li>Policy &amp; targets in place for Female representation</li> <li>Policy &amp; targets in place for Board Ethnicity</li> <li>Remuneration linked to ESG</li> </ul>

Risk score					Evaluation score				
5	4	3	2	1	5	4	3	2	1
<ul style="list-style-type: none"> <li>A 1 to 5 Risk score – where 1 is Good</li> <li>At sub-factor level</li> <li>Sector classification and materiality based</li> <li>E.g. “Pollution and waste” for Chemical sector = 4</li> <li>Determined by Stewardship Committee</li> <li>Factor score is the amalgamation of sub-factors</li> </ul>					<ul style="list-style-type: none"> <li>A 1 to 5 Evaluation score – where 1 is Good</li> <li>At sub-factor level</li> <li>Materiality in relation to the individual company</li> <li>Determined by the responsible investment manager</li> <li>Risk score is the starting point</li> <li>Considers mitigating practices, opportunities, targets</li> <li>Factor score is the amalgamation of sub-factors</li> </ul>				

# 2023 growth stocks



Securities	
4imprint Group	Integrafin Holdings
AJ Bell	IP Group
Alfa Financial Software Holdings	JTC
Alphawave IP Group	Kin and Carta
AO World	Molten Ventures
Aptitude Software Group	Oxford Biomedica
Arix Bioscience	Oxford Instruments
Aston Martin Lagonda Global Holdings	Pensionbee Group
Auction Technology Group	Porvair
Baltic Classifieds Group	PPHE Hotel Group
Bytes Technology Group	PureTech Health
Clarkson	S4 Capital
Deliveroo	SolGold
DEV Clever Holdings	Spirent Communications
discoverIE Group	THG
Dominos Pizza Group	Trainline
DP Eurasia	Treatt
FDM Group Holdings	Trustpilot Group
Future	Volution Group
Gresham Technologies	Zotefoams
Helios Towers	

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

# ASCoT – sector exposure



Sector	NSCI (XIC) weight	ASCoT weight	Relative weight	Significant holdings
Technology	7.1%	3.7%	-3.4%	
Telecommunications	1.6%	0.0%	-1.6%	
Health Care	1.8%	1.2%	-0.6%	
Financials	19.5%	15.8%	-3.7%	International Personal Finance, Just Group, Rathbones Group, Conduit Holdings
Real Estate	9.7%	3.0%	-6.7%	
Consumer Discretionary	21.5%	28.6%	7.1%	Card Factory, FirstGroup, Lookers, Reach, Wilmington, Rank Group, Crest Nicholson Holdings
Consumer Staples	4.8%	3.9%	-0.8%	Bakkavor Group, C&C Group
Industrials	21.9%	33.6%	11.7%	Bodycote, Morgan Advanced Materials, Robert Walters, Senior, Vesuvius, Wincanton, SIG, Redde Northgate, Ricardo
Basic Materials	7.9%	7.4%	-0.5%	Centamin
Energy	3.9%	2.7%	-1.2%	EnQuest
Utilities	0.4%	0.0%	-0.4%	



# 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 = 5.6%	N/A	Structural (ZDPs) = 39%
Size (AUM)	£1,324m	£147m	£210m
Number of investee companies	79	79	64
Benchmark	NSCI (XIC)	NSCI (XIC)	N/A
Investment philosophy	Value	Value	Value/Income
Management fees ( <i>ongoing charges</i> )	73 bps* (80 bps)	75 bps* (83 bps)	102 bps* (121 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 <a href="mailto:Richard.Davidson@aberforth.co.uk">Richard.Davidson@aberforth.co.uk</a>	N/A	Angus Gordon Lennox <a href="mailto:Angus.GordonLennox@aberforth.co.uk">Angus.GordonLennox@aberforth.co.uk</a>

\* 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](http://www.aberforth.co.uk)

# Investment trust



## Aberforth Smaller Companies Trust plc (ASCoT)

Ordinary shares 85,444,605	<ul style="list-style-type: none"><li>▪ next continuation vote in March 2026 and every 3 years thereafter</li><li>▪ authority to buy back up to 12,778,915 shares in the calendar year granted at AGM</li><li>▪ cumulative shares bought back for cancellation since inception = 13,985,183</li></ul>
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Gearing	<ul style="list-style-type: none"><li>▪ as at 30 April 2023 actual was 5.6%</li><li>▪ potential for up to £130m or 9.8%</li></ul>
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### Dividends

Based on the following historic actuals:

2022 47.30p	<ul style="list-style-type: none"><li>▪ final paid March 2023 (26.95p)</li><li>▪ special paid March 2023 (8.30p)</li><li>▪ interim paid August 2022 (12.05p)</li></ul>
2021 35.20p	<ul style="list-style-type: none"><li>▪ final paid March 2022 (24.25p)</li><li>▪ interim paid August 2021 (10.95p)</li></ul>
2020 33.30p	<ul style="list-style-type: none"><li>▪ final paid March 2021 (22.90p)</li><li>▪ interim paid August 2020 (10.40p)</li></ul>

Note: Further details available in the Fund's Annual Report and from [www.aberforth.co.uk](http://www.aberforth.co.uk)



## Aberforth UK Small Companies Fund (AFUND)

As 28 April 2023	Issue Price	Cancellation Price	Units in Issue
Accumulation Units	£294.05	£288.38	315,265
Income Units	£197.94	£194.12	286,240

### Limited issue fund with Accumulation and Income units

- value at cancellation price: £147m
- no entry or exit fees charged; dealing spread 1.9% (mid-basis)
- yield on Income units: 3.6%
- current distribution period ending 30 June 2023; payable August 2023
- previous distribution period ended 31 December 2022; paid February 2023
- 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 prices 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](http://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:

2023

- first interim paid March 2023 (1.70p)

2022

4.55p

- first interim paid March 2022 (1.51p)
- second interim paid August 2022 (2.79p)
- special paid August 2022 (0.25p)

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 Trust's Prospectus and from [www.aberforth.co.uk](http://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/](http://www.aberforth.co.uk/about-Aberforth/)**
- **Aberforth Standard Value** refers to The 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%.
- **AGM:** An annual general meeting (AGM) is a mandatory annual assembly of a company's executives, directors, and interested shareholders
- **AuM:** Assets Under Management.
- **CAGR:** Compound Annual Growth Rate is the annualised rate of growth over the specified time period.
- **Cancellation** refers to the cancellation of units by the Trustee.
- **Closed-end funds:** funds that offer a fixed number of shares through an investment company, raising capital by putting out an initial public offering (IPO).
- **Discount** is the amount by which the stockmarket price is lower than the Net Asset Value, or NAV, per Ordinary Share. The discount is normally expressed as a percentage of the NAV per Ordinary Share. The opposite of a discount is a premium.
- **DPS:** Dividend Per Share.
- **EBITA:** Earnings Before Interest, Taxes, and Amortisation (EBITA), is a measure of company profitability used by investors.
- **ESG:** Environmental, Social and Governance.
- **EV/EBITA:** Enterprise Value (EV) divided by Earnings Before Interest, Tax and Amortisation (EBITA).
- **EV/EBITDA:** Enterprise Value (EV) divided by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).
- **FANGS:** Refers to the stocks of four prominent American technology companies. Meta (formerly Facebook), Amazon, Netflix and Alphabet/Google. FANG stocks are famous for the impressive growth they have shown in recent years.
- **Funds:** **ASCoT** – The 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.
- **GFC:** Global Financial Crisis, was a severe worldwide economic crisis that occurred in 2007 to 2008.
- **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.

# Glossary – Aberforth Funds



- **IRRs:** Internal Rate of Return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments.
- **Issue** refers to the issue of units by the Trustee.
- **Leverage** is a measurement of the use of debt.
- **LTCM:** Long Term Capital Management. In 1998 the federal government of the United States feared that the imminent collapse of LTCM would precipitate a larger financial crisis and orchestrated a bailout to calm the markets.
- **M&A:** Mergers and Acquisitions.
- **Net Asset Value (ZDP Share)** is the value of the entitlement to the ZDP Shareholders.
- **Net Asset Value:** Net Asset Value (NAV) per share is the net value of an investment fund's assets less its liabilities, divided by the number of shares outstanding
- **NSCI (XIC):** The Numis Smaller Companies Index (excluding Investment Companies).
- **PE:** The price-earnings ratio (P/E ratio).
- **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:** the accumulated income that has not been distributed.
- **RoCE:** Return on Capital Employed (RoCE) is a measure of how good a business is at generating profits from capital.
- **RoE:** Return on equity (RoE) is the measure of a company's net income divided by its shareholders' equity
- **RoW:** Rest of the world
- **Rump** is the Tracked Universe, adjusted to exclude the growth stocks.
- **Scope 4:** Relates to a category of Green House Gas emissions. Termed as avoided emissions, Scope 4, can be defined as reductions that occur outside of a product's life cycle or value chain, but as a result of the use of that product.
- **Share buy backs:** A share buyback, also known as a share repurchase, is when a company buys its own outstanding shares to reduce the number of shares available on the open market.
- **SONIA:** Sterling Overnight Index Average is a measure of the rate at which interest is paid on sterling short-term wholesale funds in circumstances where credit, liquidity and other risks are minimal.

# Glossary – Aberforth Funds



- **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.
- **ZIRP:** A zero interest rate policy (ZIRP) is when a central bank sets its target short-term interest rate at or close to 0%



# 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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# Important information

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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.
- 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 securities 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.
- An investment trust is a public limited company, the shares of which are traded on the main market of the London Stock Exchange. Investment trusts are not authorised and regulated by the Financial Conduct Authority.
- An investment trust is a closed-ended company and its shareholders will have no right to have their shares redeemed or repurchased by the company at any time. Accordingly, the ability of shareholders to realise any value in respect of their shares will be dependent on the existence of a liquid market in the shares and the market price of the shares. The shares may trade at a discount to their net asset value.

# Risk warnings

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- An investment trust may only pay dividends to the extent that it has distributable profits available for that purpose. A reduction in the income from an investment trust's portfolio could adversely affect the yield, if any, on its shares.
- Investment trusts may borrow money in order to make further investments. This is known as “gearing”. The effect of gearing can enhance returns to shareholders in rising markets but will have the opposite effect on returns in falling markets.
- 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.