

Aberforth Partners LLP

Presentation to ASCoT Investors January 2022



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ABERFORTH PARTNERS

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

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Aberforth Partners update



- Over 30 years of small cap value investing
- Self-imposed ceiling on the business to prioritise existing investors
 - AUM capped at c.1.5% of the NSCI (XIC)'s market cap
- Consistency: ownership structure, collegiate process, investment focus
 - A seventh fund manager to join the firm on 28 February
- Refreshed website launched November 2021: www.aberforth.co.uk
- Successful signatory to the UK Stewardship Code 2020

Performance – periods to 31 December



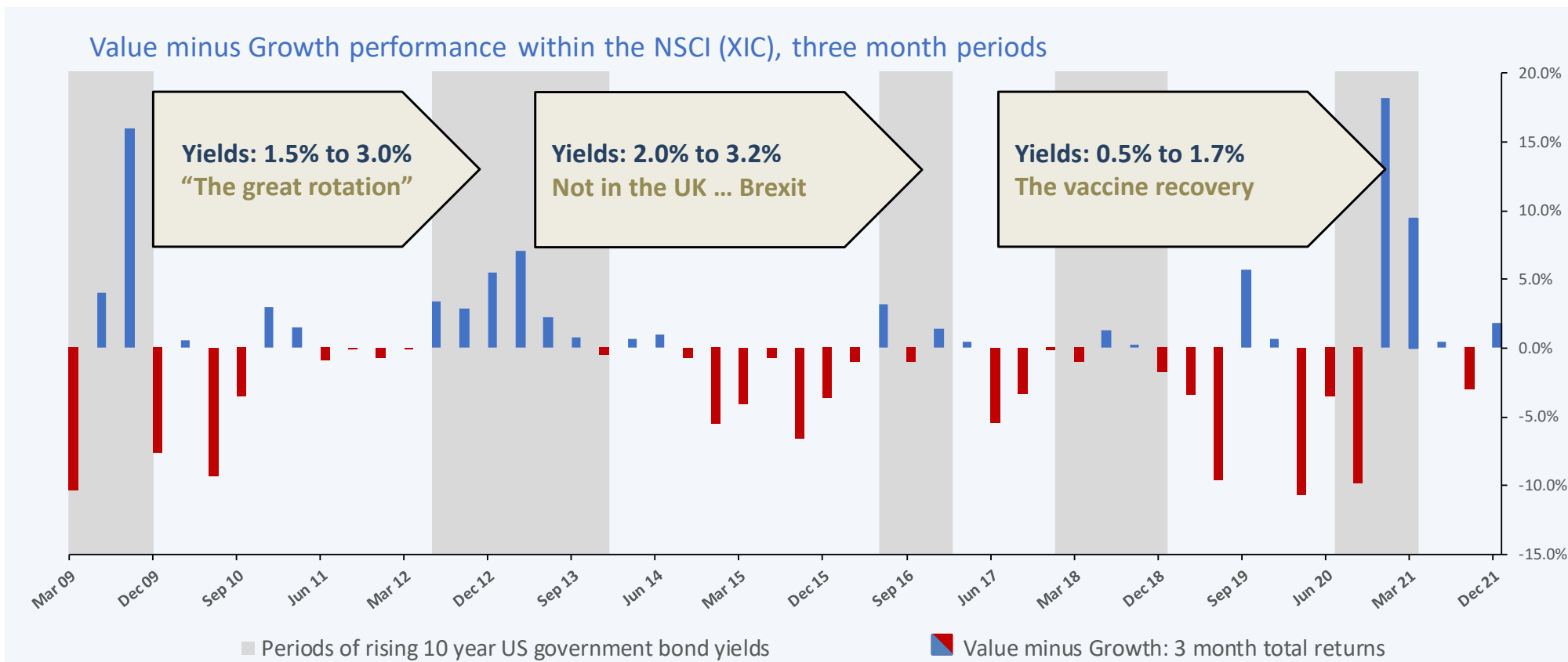
Total Return %	CAGR			ASCoT inception
	1 Year	5 Year	10 Year	
FTSE All-Share	18.3	5.4	7.7	8.3
FTSE 250 (XIC)	18.4	7.3	11.6	11.5
FTSE SmallCap (XIC)	31.3	9.4	14.3	8.6
NSCI (XIC)	21.9	8.1	12.2	10.7
ASCoT NAV	32.5	8.0	13.1	12.7
ASCoT share price	20.3	8.7	14.5	12.3
AFUND	30.0	7.6	12.4	*
Inception date for ASCoT was 10/12/1990		* AFUND from inception 20/03/1991		12.0
		NSCI (XIC) from AFUND inception 20/03/1991		10.1

Influences on performance



- M&A – continued corporate and private equity appetite for UK assets
- Demand recovery continues
 - Complicated by supply chain issues and higher energy prices
- Inflation and the monetary response
 - Inflation proving less transitory
 - Bond markets appear confident that the central banks are able and willing
- Factors
 - Value positive in 2021 overall but a swing back to growth since April
 - Small ahead of large across the market cap spectrum in 2021

US bond yields and UK small cap value



- Yields rose with the advent of the vaccines
 - Helpful to value through the duration effect
- Yields fell between March and August
- Current uncertainty as the bond markets consider inflation and monetary policy

Winners and losers – year to 31 Dec 2021



10 Best winners			
Rank	Company	Total return (%)	Attribution (bp)
1	Reach	102	277
2	Redde Northgate	71	89
3	Charles Stanley Group	91	87
4	Robert Walters	67	78
5	U and I Group	141	71
6	Avon Protection	-64	69
7	RPS Group	77	69
8	Wincanton	50	66
9	Vitec Group	56	65
10	Petropavlovsk	-41	59

10 Worst losers			
Rank	Company	Total return (%)	Attribution (bp)
1	Watches of Switzerland Group	145	-143
2	Investec	127	-113
3	Indivior	136	-73
4	Playtech	83	-64
5	Drax Group	68	-57
6	De La Rue	-8	-55
7	Vesuvius	-13	-50
8	Ultra Electronics Holdings	57	-46
9	Gamesys Group	66	-42
10	Foxtons Group	-28	-41

Not held in portfolio

- The big losers are mostly non holdings
- Supply chain issues not evident in these 12 month figures
- An eclectic list of winners: **M&A and re-opening beneficiaries**

Purchases and sales – year to 31 Dec 2021



Top 10 Purchases		
Rank	Company	£m
1	Centamin	34.0
2	Marstons	26.5
3	Jupiter Fund Management	19.8
4	Ricardo	16.0
5	Sabre Insurance Group	14.3
6	C&C Group	12.7
7	Babcock International Group	12.1
8	Rathbones Group	11.6
9	Galliford Try Holdings	11.4
10	Micro Focus	10.8

Top 10 Sales		
Rank	Company	£m
1	Spire Healthcare Group	36.9
2	RWS Holdings	31.1
3	Charles Stanley Group	30.7
4	Vectura Group	30.5
5	Reach	30.1
6	Mitchells & Butlers	23.2
7	Restaurant Group	22.0
8	U and I Group	20.2
9	PageGroup	18.8
10	Forterra	17.5

■ New Holding or Total Sales

- 12 month annualised turnover is 26%
- Market recovery and M&A allows “value roll” to recommence
- “Value roll”: sale of relatively expensive stocks and reinvestment into cheaper stocks
 - In the 12 months, average 2023 EV/EBITA of sales 9.7x vs. 6.7x for purchases

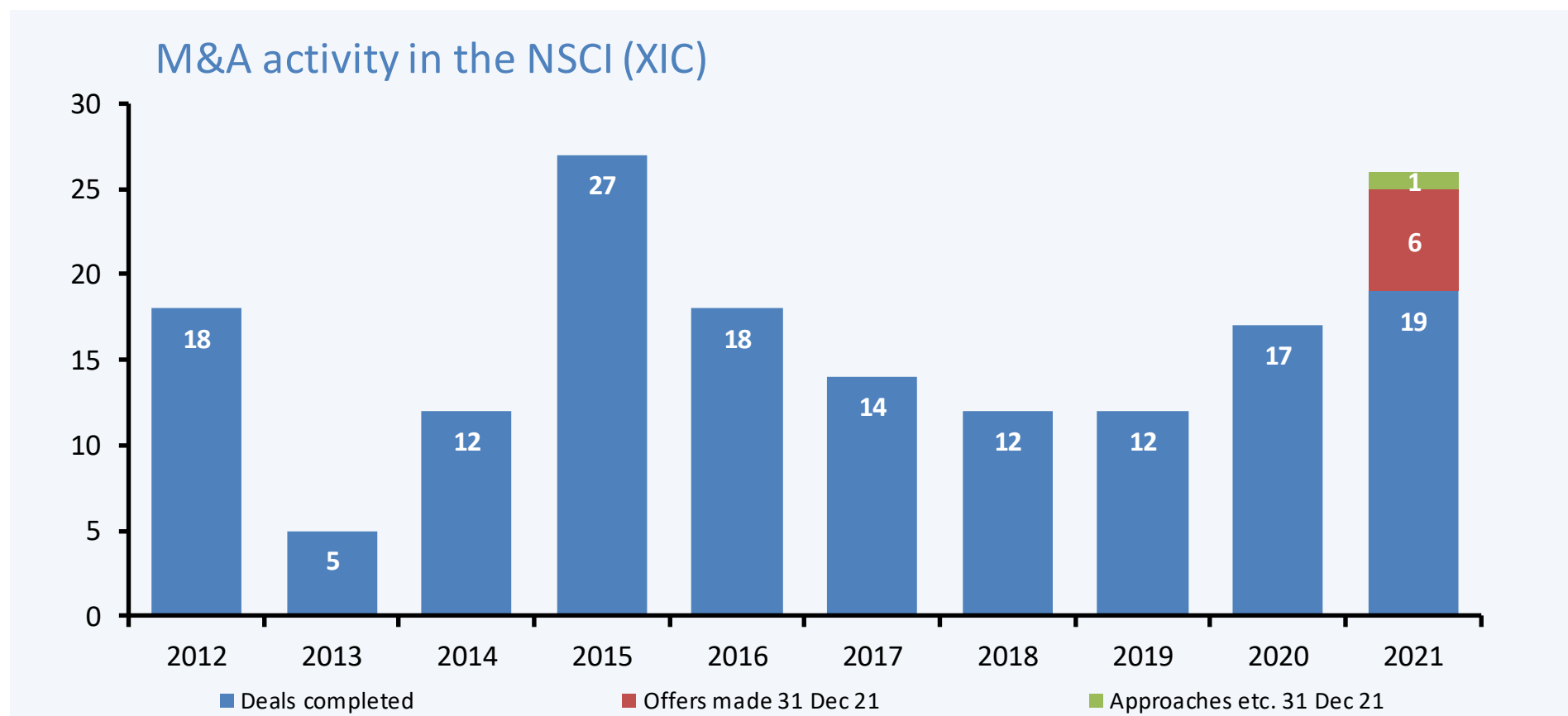
Supply chain disruption



- Global shortages of commodities, semiconductors, shipping, labour
 - Adding to inflationary pressures
- Disentangling the early effects of Brexit is not straightforward
- Companies – and investors – are reassessing supply chains
 - Margin and working capital pressure
- Examples within the portfolio

Company	Portfolio weight	2023 EV/EBITA	
McBride	0.4%	15.2	Commodity price rises causing input costs pressure
Eurocell	1.8%	6.2	Labour shortages forcing a recruitment drive
TI Fluid Systems	2.1%	6.0	Production volumes into auto OEMs dropped due to "chip dip"
SIG	2.2%	9.1	Driver shortage particularly acute in the UK
Wincanton	2.3%	7.4	HGV driver inflation in part mitigated by open book contracts

Corporate activity has picked up



- We are not alone in seeing the valuation attractions of UK assets
 - Corporates and private equity are re-engaging
- Holdings in the year affected by M&A
 - U and I, Vectura, Charles Stanley, Stagecoach, Premier Oil, Spire, Senior
- Average 2021 EV/EBITA multiple of NSCI (XIC) deals completed and offers: **17x**

Valuation – EV/EBITA



- UK equities remain lowly valued relative to the rest of the world
 - Estimated* 35% discount or 12% discount after controlling for sector composition
- Attractive valuations among small caps as profits recover
- Portfolio valuation benefits from the value style and its skew to “smaller smalls”

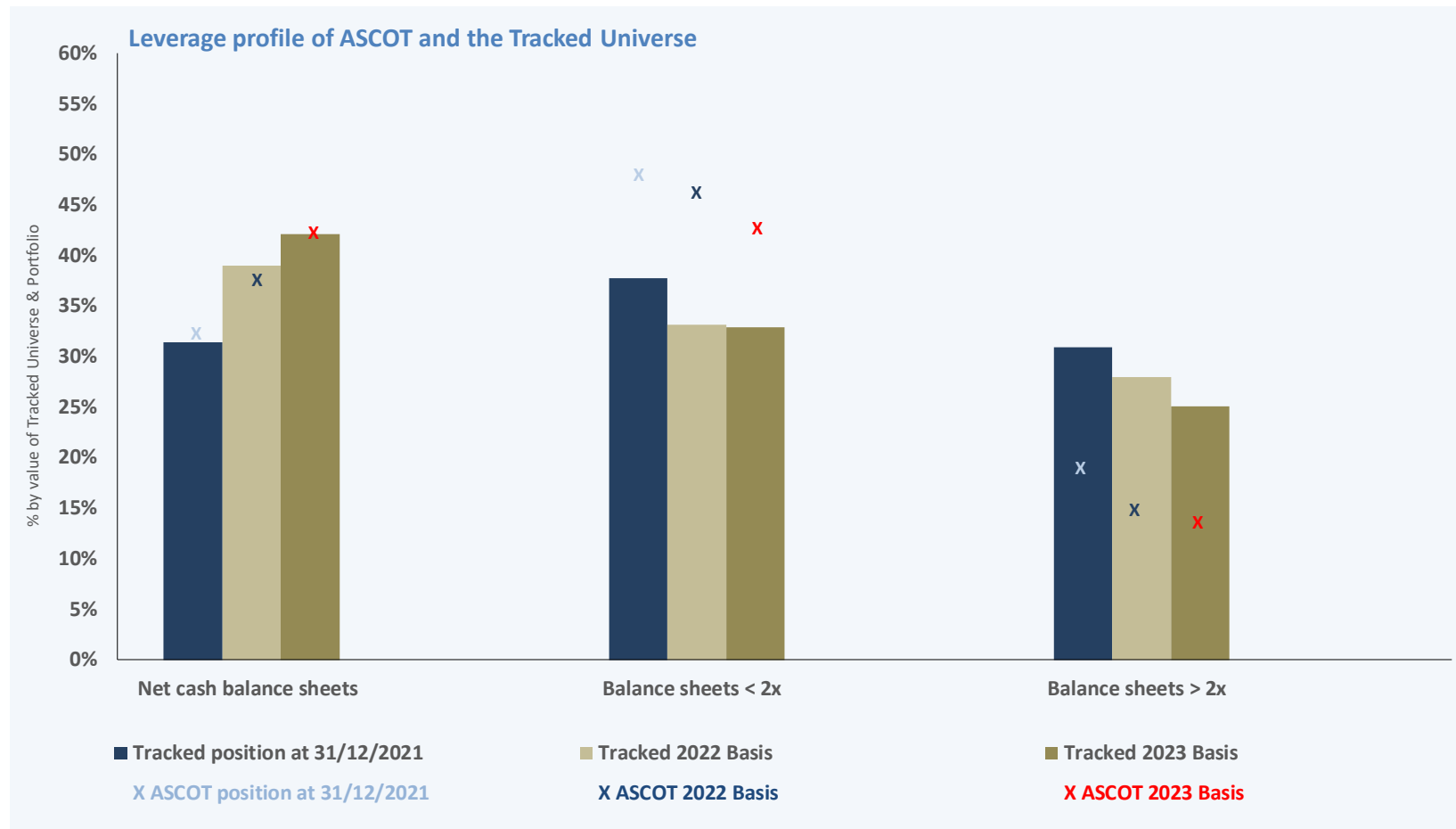
EV/EBITA	Number of stocks	2020	2021	2022	2023
ASCOT	77	12.4x	9.4x	8.1x	7.2x
Tracked Universe	245	15.0x	12.9x	10.9x	9.2x
<i>Growth stocks</i>	46	21.9x	21.2x	20.2x	18.2x
<i>The rump</i>	199	13.5x	11.6x	9.7x	8.0x
<i>Stocks > £600m market cap.</i>	105	14.6x	13.4x	11.5x	9.6x
<i>Stocks < £600m market cap.</i>	140	16.1x	11.5x	9.5x	8.3x

* Panmure Gordon

Balance sheets – little sign of zombies



- The chart shows the leverage profile of smaller companies
 - The bars are for the Tracked Universe, the crosses for the portfolio
- On our current estimates, exposure to high leverage reduces in 2022 and 2023
- This reflects resilient underlying generation of free cash flow

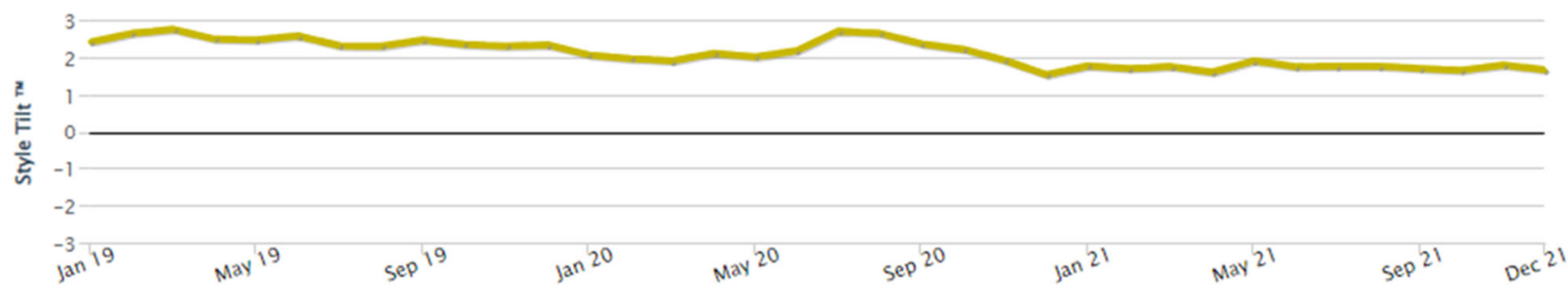


ESG – an opportunity for value investors



- ESG is integrated into Aberforth's investment process
- Improved ESG performance can sustain profits and be a catalyst for re-rating
 - Investing in laggards that improve their ESG performance can boost returns
- MSCI analysis suggests that the portfolio is not filled with ESG victims

MSCI ESG OVERALL



- But quality and depth of third-party work within the NSCI (XIC) is questionable
- We are working on internal systems to support ESG engagement and reporting
 - The benefits should start to come through in 2022

Return on equity – value creation

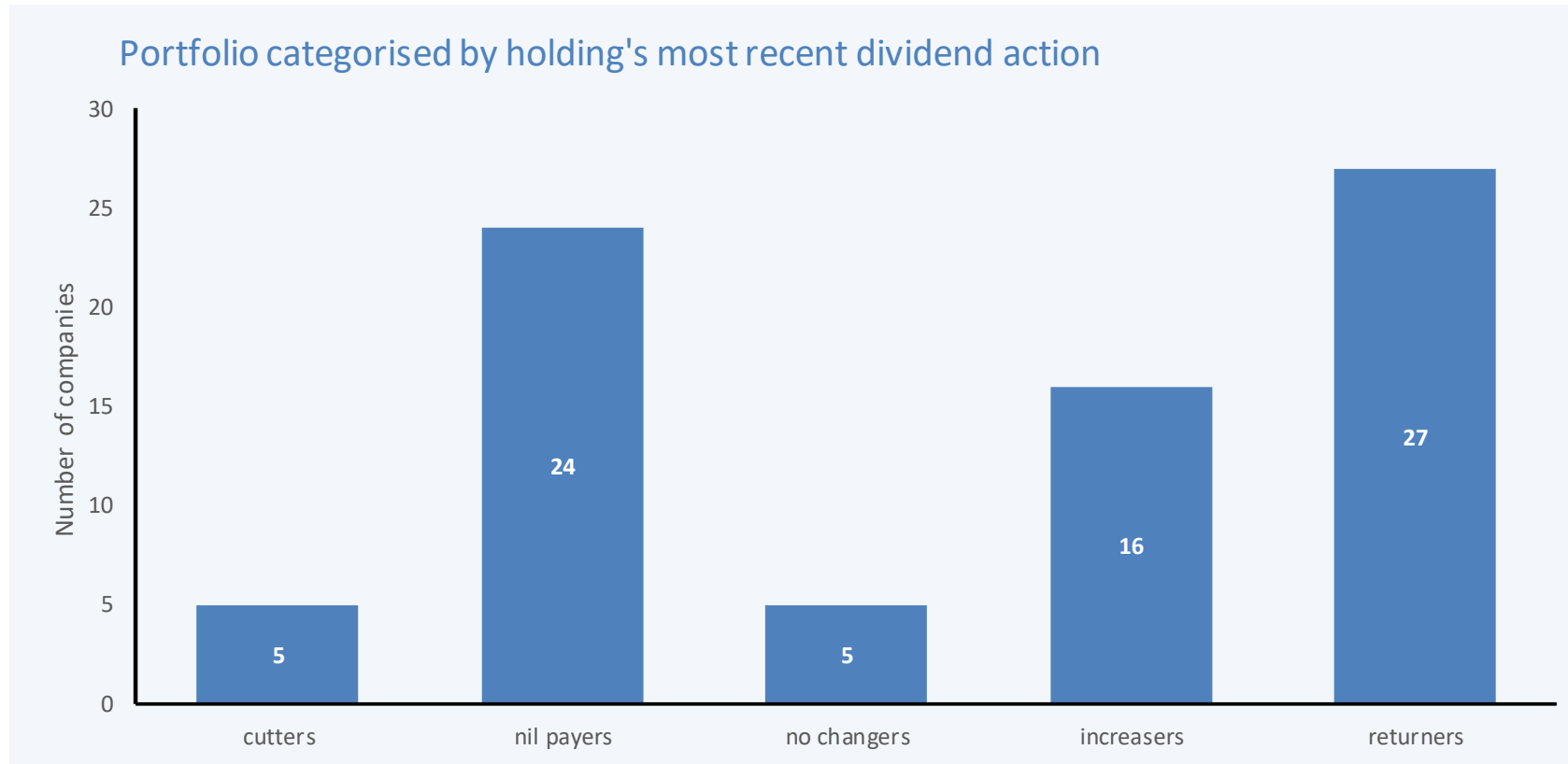


- Weighted average ROEs
 - 2019 pre pandemic: Portfolio 16% Tracked Universe 16%
 - 2020 mid pandemic: Portfolio 8% Tracked Universe 9%
- The portfolio's ROE in normal conditions is above a notional cost of equity
- The table below shows ROE categories and corresponding weights

	'Loss makers'		'Laggards'		'Value creators'		'Stars'	
	% with <0% ROE		% with 0-10% ROE		% with 10-20% ROE		% with >20% ROE	
	2019	2020	2019	2020	2019	2020	2019	2020
Portfolio	6	25	24	37	40	19	29	19
Tracked	11	21	22	30	36	22	31	26

- We expect that ROEs will return to pre pandemic levels over coming years
- These should support growth after the recovery phase

Resilient dividend experience



- Dividends are recovering more quickly than we had expected six months ago
 - The main influence is reinstatements following cuts to zero in 2020
 - Some companies are still to reinstate, but an encouraging start to the recovery
- On current estimates, the Board could keep to ASCoT's dividend policy without drawing on reserves in 2022

Aberforth Smaller Companies Trust

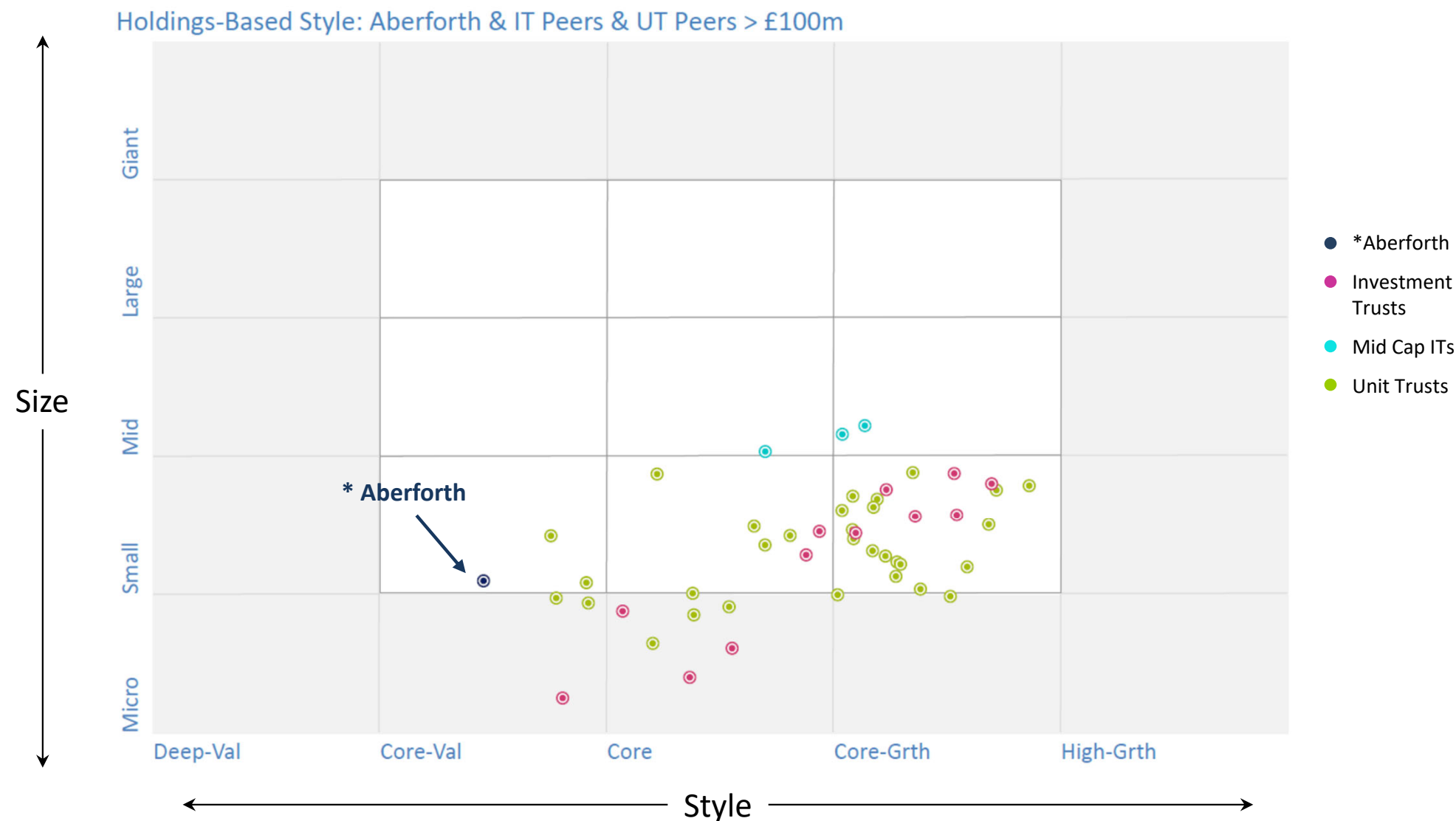


- Dividend – growth through the pandemic in line with policy
 - 2021 interim ordinary dividend +5.3% year-on-year to 10.95p
 - Revenue reserves at 31 December 2021 59p – c.1.7 years
- Gearing
 - Consistent with its tactical gearing approach, ASCoT entered 2020 ungeared
 - COVID offered the opportunity to gear for only the fourth time in 30 years
 - Valuations support retaining gearing
 - At 31 December, £86.5m of the £130m RBSI facility drawn to give gearing of 5.6%
- Discount moves year-to-date
 - Average of Morningstar's UK small company trusts from 2.9% to 5.9%
 - ASCoT from 3.2% to 11.2%
- Buy backs
 - 874,800 shares bought in 2021

Morningstar style box categorisation



- Small cap fund positioning by style (x-axis) remain polarised
 - Leftwards shift (i.e. towards value) over the past 12 months



Conclusion



- Demand recovery on track, though note supply chains and energy prices
- Markets' scepticism offers an opportunity in UK assets
 - Corporate activity suggests that others see value
- Inflation is a potential challenge to the status quo in markets
- ASCoT: low valuations, strong balance sheets, ESG opportunity, good ROEs
 - Weighted average portfolio upside at 31 December 62%*
 - Based on current estimates but not a forecast!
- Tactical gearing remains in place
- ASCoT remains highly differentiated from its peers

* Share price plus two years of dividends



Appendix

Investment managers



SAMUEL G FORD CFA, MEng

Sam joined Aberforth in August 2019 and became a Partner in May 2021. He is responsible for the following sectors - Aerospace & Defense; Electronic & Electrical Equipment; Health Care providers; Media; Medical Equipment and Services; Oil, Gas and Coal; Pharmaceuticals and Biotechnology; Technology Hardware and Equipment; and Telecommunications Equipment.

JEREMY G A HALL MA (Hons)

Jeremy joined Aberforth in October 2018 and became a Partner in January 2020. He is responsible for the following sectors - Banks; Beverages; Chemicals; Finance and Credit Services; Food Producers; Industrial Materials; Investment Banking and Brokerage Services; and Tobacco.

SONYA KIM CFA, MFin, BA

Sonya joined Aberforth in March 2021 and is responsible for the following sectors - Construction & Materials and Household Goods & Home Construction.

EUAN R MACDONALD BA (Hons)

Euan joined Aberforth in May 2001 and became a Partner in May 2004. He is responsible for the following sectors - Alternative Energy; Automobiles & Parts; Consumer Services; General Industrials; Industrial Engineering; Leisure Goods; Life Insurance; Mortgage Real Estate Investment Trusts; Non-life Insurance; Real Estate Investment and Services; Real Estate Investment Trusts; Software & Computer Services; and Telecommunications Service Providers.

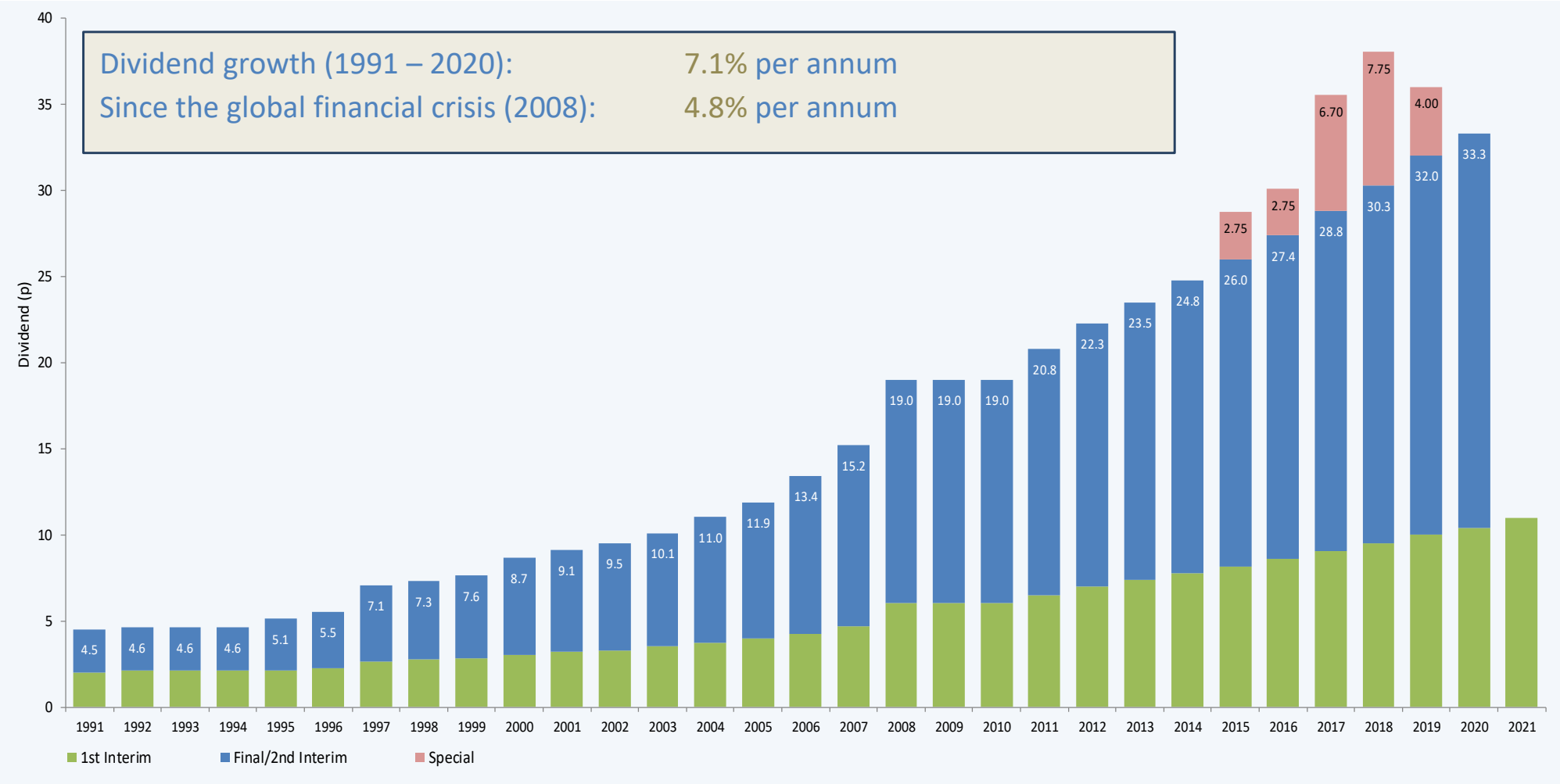
PETER R SHAW CA, BCom (Hons)

Peter joined Aberforth in April 2016 and became a Partner in May 2017. He is responsible for the following sectors - Industrial Support Services; Industrial Transportation; Personal Care, Drug and Grocery Stores; Personal Goods; Retailers; and Waste and Disposal Services.

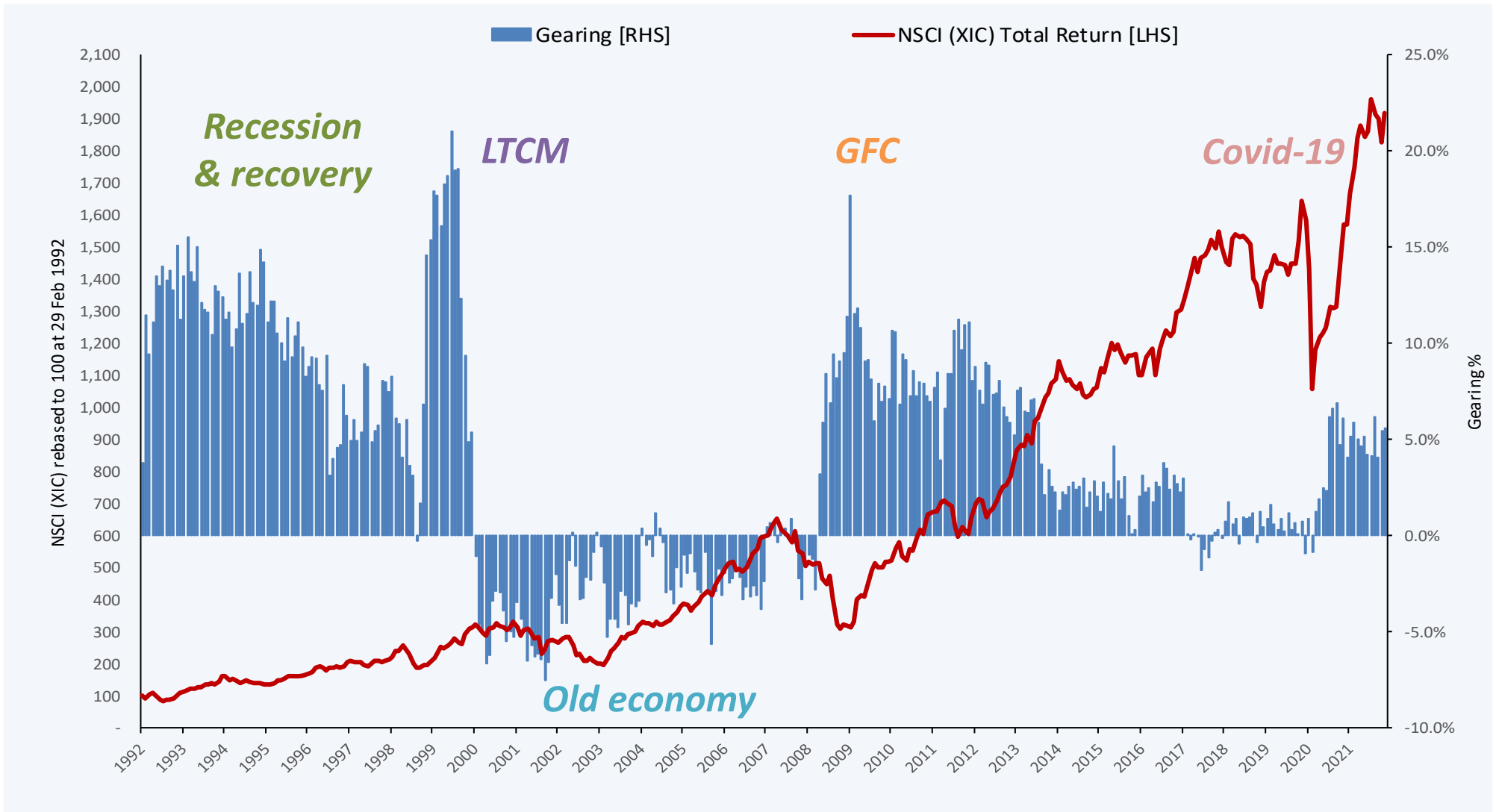
CHRISTOPHER N WATT BSc (Hons)

Chris joined Aberforth in April 2016 and became a Partner in May 2017. He is responsible for the following sectors - Electricity; Gas, Water & Multi-utilities; Industrial Metals & Mining; Precious Metals & Mining; and Travel & Leisure.

ASCoT's dividend history

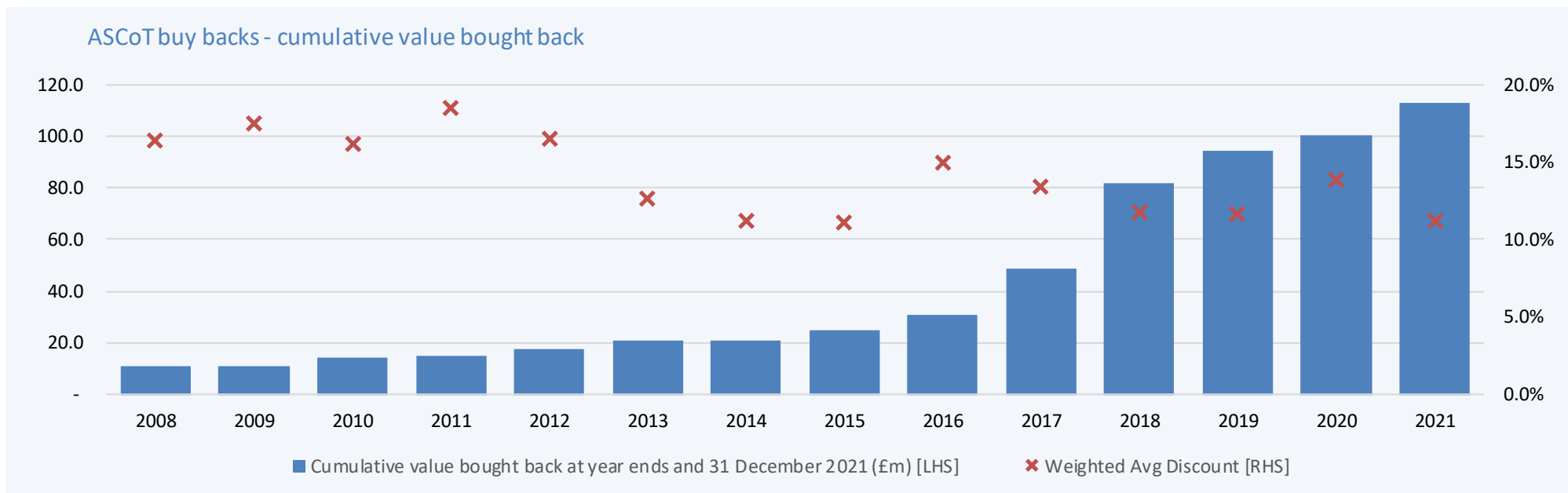
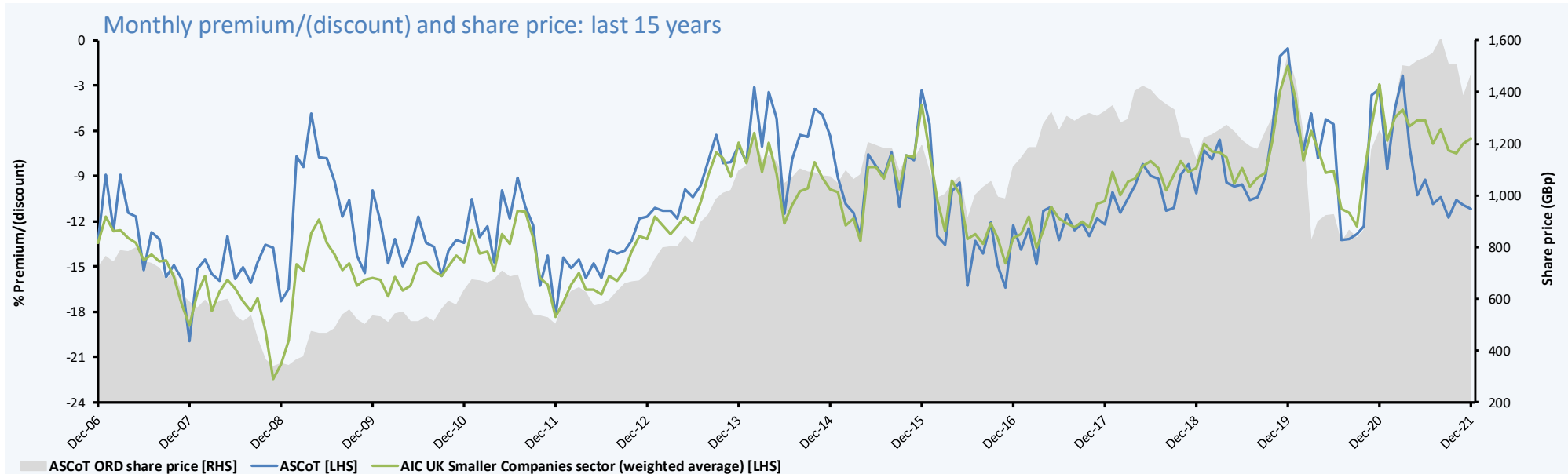


Gearing



- Geared for the fourth time in 30 years: £86.5m debt drawn at 31 December

ASCoT – share price, discount and buy-backs



Top 20 holdings



Rank	Company	Activity	Total portfolio (%)
1	Reach	UK newspaper publisher	3.4
2	Redde Northgate	Van rental	3.0
3	Provident Financial	Personal credit provider	2.8
4	FirstGroup	Bus & rail operator	2.8
5	Morgan Advanced Materials	Manufacture of carbon & ceramic materials	2.7
6	Robert Walters	Recruitment	2.7
7	Brewin Dolphin Holdings	Private client fund manager	2.5
8	Rathbones Group	Private client fund manager	2.5
9	Vitec Group	Photographic & broadcast accessories	2.4
10	Wincanton	Logistics	2.3
11	SIG	Specialist building products distributor	2.2
12	RPS Group	Energy & environmental consulting	2.1
13	TI Fluid Systems	Automotive parts manufacturer	2.1
14	International Personal Finance	Home credit provider	2.1
15	Keller Group	Ground engineering services	2.0
16	Senior	Aerospace & automotive engineering	2.0
17	Crest Nicholson Holdings	Housebuilding	1.9
18	Just Group	Individually underwritten annuities	1.9
19	Bakkavor Group	Food manufacturer	1.8
20	Eurocell	Manufacture of UPVC building products	1.8
Top 20			46.9
21 - 30			16.7
31 - 77			36.4
Actively managed portfolio with an active share of 76%			100.0

ASCoT – sector exposures



Sector	NSCI (XIC) weight	ASCoT weight	Significant holdings
Technology	8.2%	3.8%	Micro Focus, TT Electronics
Telecommunications	1.0%	0.0%	
Health Care	2.5%	1.7%	Medica Group
Financials	18.1%	17.4%	Brewin Dolphin Holdings, International Personal Finance, Just Group, Provident Financial, Rathbone Brothers
Real Estate	6.9%	2.0%	
Consumer Discretionary	19.8%	28.9%	DFS Furniture, FirstGroup, Reach, TI Fluid Systems, Rank Group, Crest Nicholson Holdings
Consumer Staples	4.4%	4.1%	Bakkavor Group
Industrials	25.6%	33.4%	Eurocell, Keller Group, Morgan Advanced Materials, Robert Walters, RPS Group, Senior, Vesuvius, Vitec Group, Wincanton, SIG, Redde Northgate
Basic Materials	6.2%	5.7%	Centamin
Energy	5.3%	3.0%	EnQuest
Utilities	2.0%	0.0%	

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

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) = 23.8%
Size (AUM)	£1,565m	£219m	£235m
Number of investee companies	77	77	67
Benchmark	NSCI (XIC)	NSCI (XIC)	N/A
Investment philosophy	Value	Value	Value/Income
Management fees (<i>ongoing charges</i>)	74 bps* (81 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 Smaller Companies Trust plc (ASCoT)

Ordinary shares
87,948,266

- next continuation vote in March 2023 and every 3 years thereafter
- authority to buy-in up to 13,299,587 shares has been granted
- cumulative shares bought-in for cancellation = 10,861,522

Gearing

- as at 31 December 2021 actual was 5.6%
- potential for up to £130m or 8.8%

Dividends

Based on the following historic actuals:

2021

- 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



Aberforth UK Small Companies Fund (AFUND)

As 31 December 2021	Issue Price	Cancellation Price	Units in Issue
Accumulation Units	£319.05	£311.79	465,168
Income Units	£225.21	£220.09	324,782

Limited issue fund with Accumulation and Income units

- value at cancellation price: £217m
- no entry or exit charged; dealing spread 2.3% (mid-basis)
- yield on Income units: 2.1%
- current distribution period ends 31 December 2021; payable February 2021
- previous distribution period ended 30 June 2021; paid 31 August 2021
- 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

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:

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)

2019
4.35p

- First interim paid March 2019 (1.45p)
- Second interim paid August 2019 (2.71p)
- Special paid August 2019 (0.19p)

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** 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%.
- **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.
- **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.
- **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** – 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.
- **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):** The Numis Smaller Companies Index (excluding Investment Companies).
- **PE:** The 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:** 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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- 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.
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Risk warnings



- 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.