

Aberforth Partners LLP

Aberforth Split Level Income Trust plc
("ASLIT")

Annual General Meeting

30 October 2023

14 Melville Street - Edinburgh EH3 7NS
Tel 0131 220 0733 - Fax 0131 220 0735
enquiries@aberforth.co.uk - www.aberforth.co.uk



ABERFORTH PARTNERS

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

Aberforth Unit Trust Managers Limited is authorised and regulated by the Financial Conduct Authority

Financial highlights of year to 30 June 2023



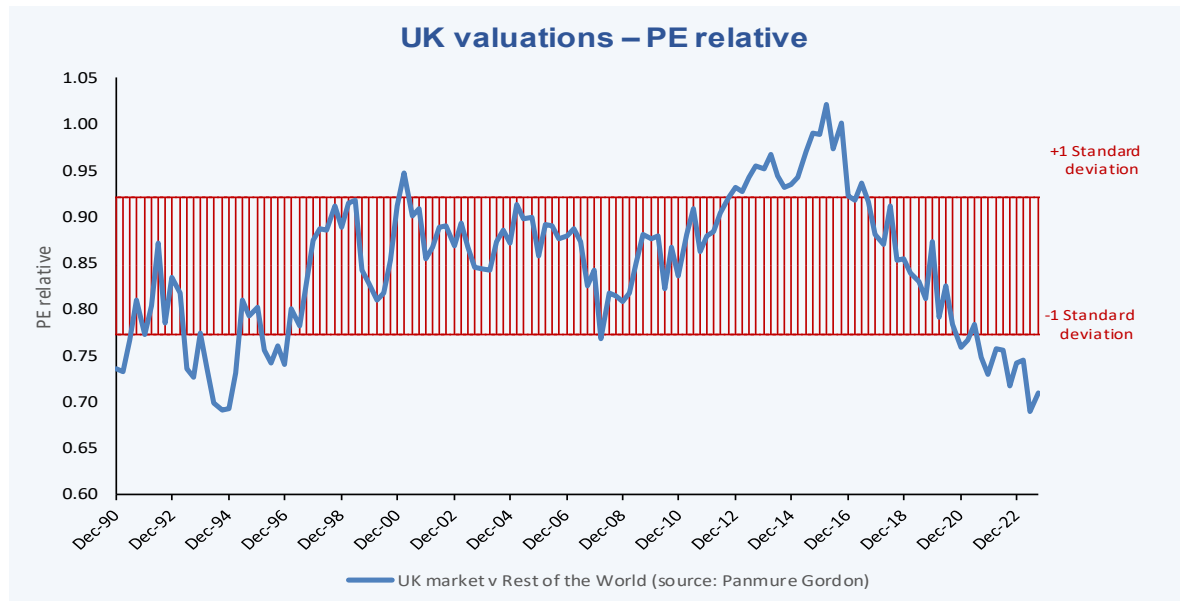
- Net Asset Value Total Return +12.2%
- NSCI (XIC) Total Return +4.4%
- Ordinary Share Price Total Return +20.0%
 - Discount to NAV narrowed to 6.7% over the financial year
- Total dividends of 5.00p per Ordinary Share (+10% year-on-year)
 - An interim dividend of 1.70p and a second interim dividend of 3.30p
 - Revenue reserves increased by 0.35p to 1.32p

Background

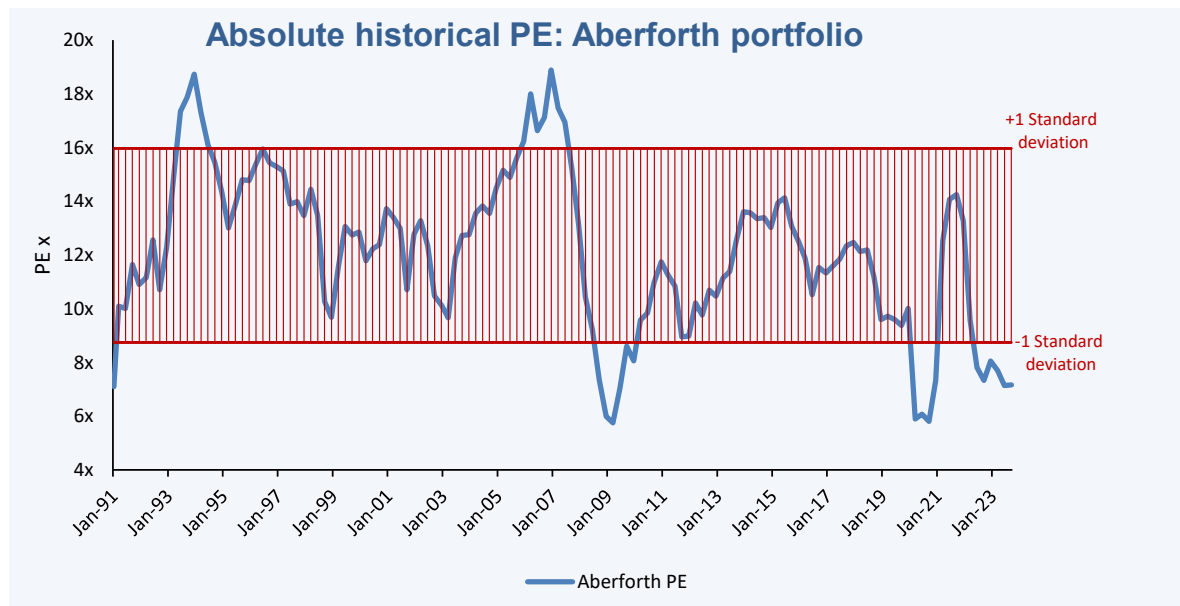


- Confidence in the UK remains low
 - Well-aired political and economic challenges
- Growing concerns of recession
 - Elevated geopolitical tensions and persistent inflation
 - Central banks responding through tightening monetary conditions
- The frequency of weak trading updates continues to rise
 - The pain started with UK housing related stocks
 - Overseas facing companies now under pressure – not just a UK slowdown
- UK smaller company valuations at depressed levels
 - At some point it's in the price
 - We are not the only ones to notice – M&A has picked up

Valuation update



- The UK
– widely shunned

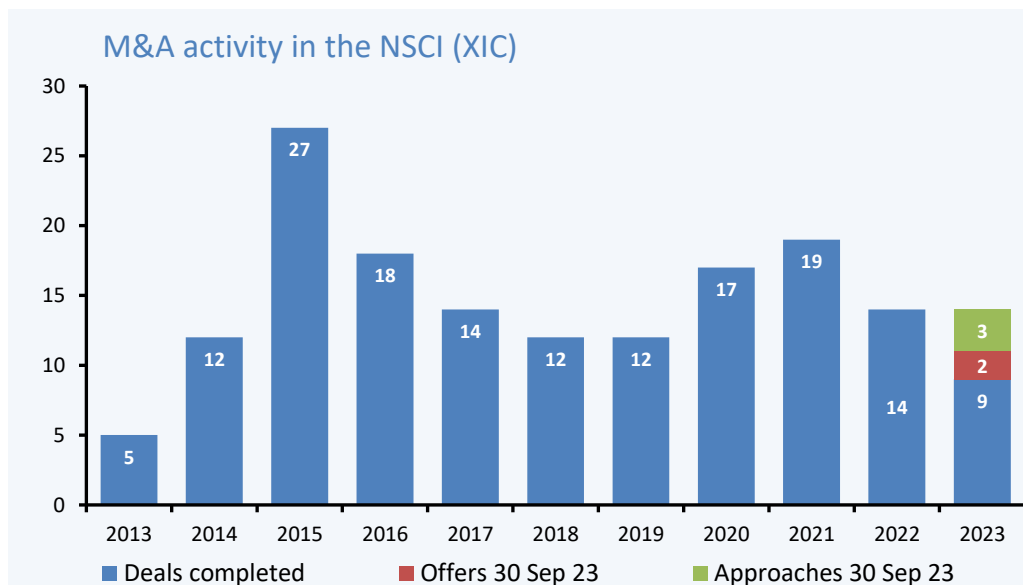


- Aberforth historical PE
– unusually low

Corporate activity

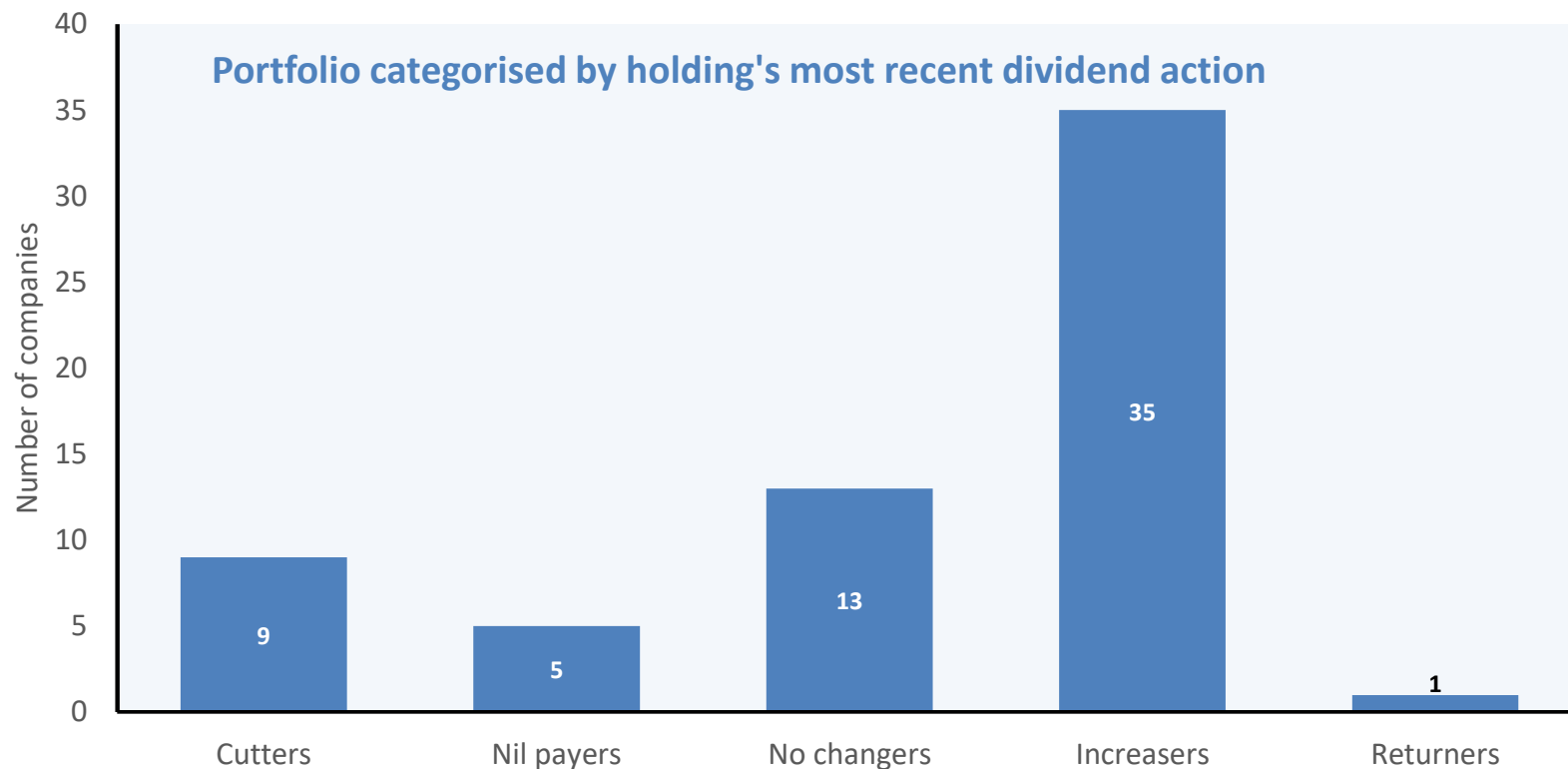


- Acquirers continue to take advantage of UK valuations
 - Given starting valuations, the typical control premium may not suffice
 - Aberforth is engaging to help prevent opportunistic bids



2023	NSCI (XIC)	ASLIT
Deals completed	9	4
Offers (current)	2	1
Approaches (current)	3	0
Total	14	5

Resilient dividends



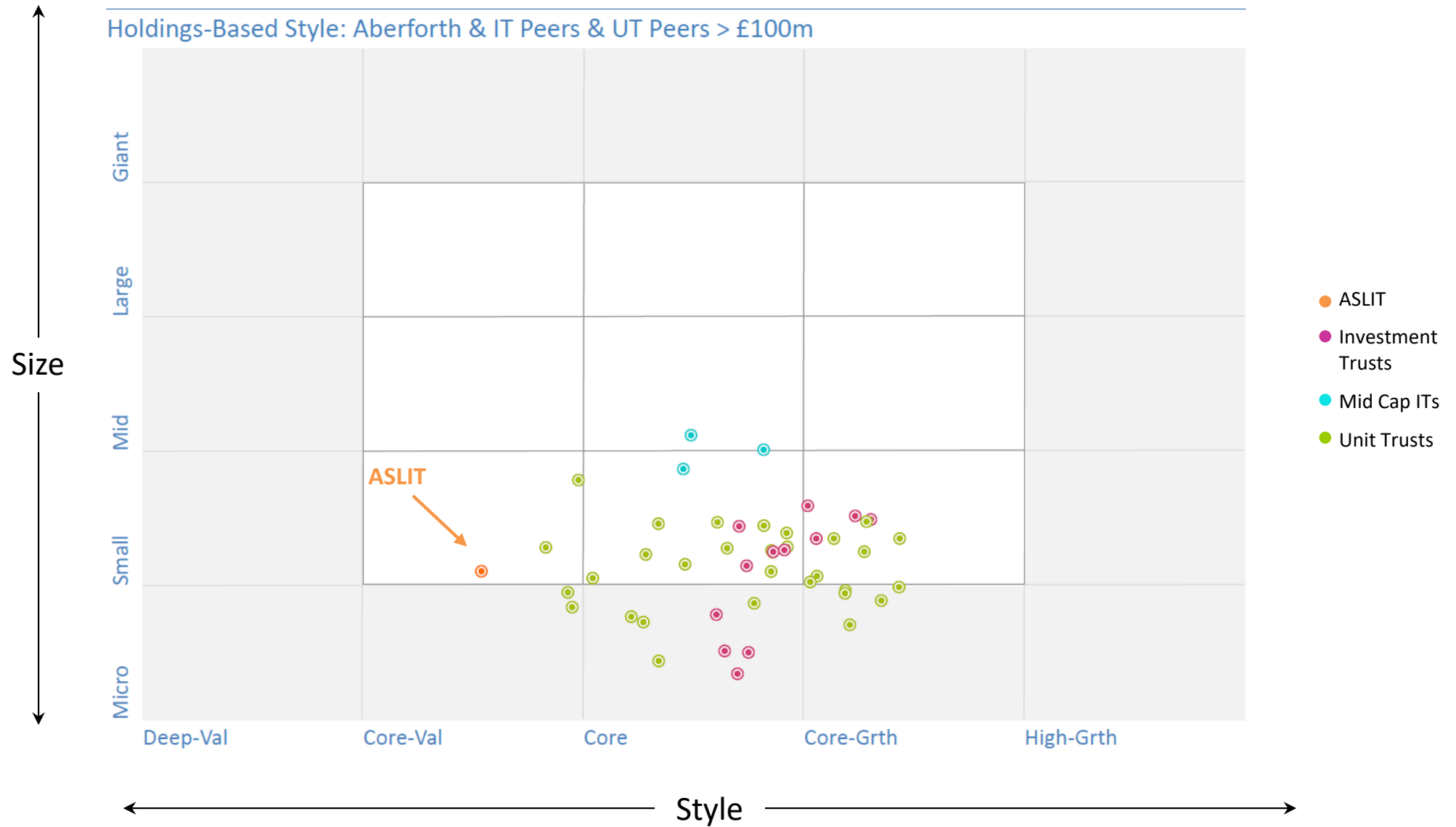
- Evidence of dividend cuts but overall picture positive
 - Supported by strong balance sheets
 - Revenue reserves of 1.32p
- Significant contribution from special dividends

Top 20 holdings



Rank	Company	Activity	Total portfolio (%)
1	Vesuvius	Metal flow engineering	3.4
2	Rathbones Group	Private client fund manager	3.3
3	Redde Northgate	Van rental	3.2
4	Wilmington	Business publishing & training	3.1
5	Wincanton	Logistics	3.0
6	FirstGroup	Bus & rail operator	3.0
7	Morgan Advanced Materials	Manufacture of carbon & ceramic materials	2.9
8	International Personal Finance	Home credit provider	2.9
9	Centamin	Gold miner	2.8
10	Close Brothers Group	Bank, stockbroker & private client fund manager	2.7
11	Bloomsbury Publishing	Independent publishing house	2.4
12	Conduit Holdings	Bermuda based (re)insurer	2.4
13	Galliford Try Holdings	Housebuilding & construction	2.3
14	Bakkavor Group	Food manufacturer	2.3
15	XPS Pensions Group	Pension Consultancy	2.2
16	Energiean	Oil & gas exploration and production	2.0
17	C&C Group	Brewer and drinks distributor	2.0
18	Reach	UK newspaper publisher	2.0
19	Robert Walters	Recruitment	1.9
20	Kenmare Resources	Miner of titanium minerals	1.8
Top 20			51.6
21 - 30			17.3
31 - 63			31.1
Actively managed portfolio with an active share of 77%			100.0

Aberforth's differentiation



Conclusion



- Aberforth – a consistent approach to value investing for over 30 years
- 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
- Portfolio – differentiated by value style, process and engagement
 - Resilient small companies with strong balance sheets
 - Valuations towards their most attractive in 32 years
- ASLIT – geared into the opportunity
 - However, the upside in the portfolio is unlikely to be realised by 1 July 2024
 - The Board and Managers are examining means whereby shareholders can continue their investment or realise their investment in cash

ASLIT valuation statistics as at 30 September 2023



Ordinary shares

Redemption yields:

Capital growth p.a.	Terminal NAV	Dividend growth p.a.				
		-10.0%	-5.0%	+0%	+5%	+10%
-10.0%	61.9p	-6.2%	-5.8%	-5.3%	-4.8%	-4.4%
-5.0%	65.8p	1.2%	1.7%	2.2%	2.7%	3.2%
+0.0%	69.7p	8.8%	9.3%	9.8%	10.3%	10.8%
+5.0%	73.5p	16.3%	16.8%	17.3%	17.8%	18.4%
+10.0%	77.3p	23.9%	24.4%	24.9%	25.5%	26.0%
+15.0%	81.0p	31.5%	32.0%	32.6%	33.1%	33.7%
+20.0%	84.7p	39.1%	39.7%	40.2%	40.8%	41.3%

Hurdle rates: (p.a. returns to 30 June 2024)

	30 Sep.	Launch
To return share price	0.0%	1.5%
To return 100p	41.3%	1.5%
To return nil value	-87.2%	-17.0%

Premium/(discount) incl. revenue reserves:

-6%

Dividends:	2017/8	2018/9	2019/20	2020/21	2021/22	2022/2023
Ordinary	4.00p ¹	4.16p ¹	4.22p ¹	3.05p ¹	4.30p ¹	5.00p ¹
Special	0.60p	0.19p	-		0.25p	
Revenue reserves	0.83p	1.61p	0.86p	0.72p	0.97p	1.32p

¹ First and Second Interim Dividends

ZDP shares

Redemption yields: (p.a. returns to 30 June 2024)

Now	8.70%	119.5p to 127.25p at 30 June 2024
At launch	3.50%	100p to 127.25p at 30 June 2024

Hurdle rates: (p.a. returns to 30 June 2024)

	30 Sep.	Launch
To return 127.25p	-87.2%	-17.0%
To return nil value	-100.0%	-57.2%

Premium/(discount) to net asset value:

-4%

Final cumulative cover:

	30 Sep.	Launch
	3.1x	3.4x

The valuation statistics set out above are projected, illustrative and do not represent profit forecasts. There is no guarantee that these returns will be achieved. Terms used above have the same meaning as described further in the glossary on pages 59-60 in the Annual Report for the period ending 30 June 2023.

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%.
- **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.
- Source references to FTSE refer to FTSE International Limited (“FTSE”) © FTSE 2023. FTSE® is a trademark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and/or underlying data contained in this communication. No further distribution of FTSE data is permitted without FTSE’s express written consent. FTSE does not promote, sponsor or endorse the content of this communication.
- The information contained in this presentation is for background purposes and is subject to updating, revision and amendment. This presentation does not contain, and does not purport to contain, a full description of the Fund or all the information investors should consider before investing in the Fund. All expressions of opinion are subject to change without notice and do not constitute advice and should not be relied upon as a promise or representation as to the future. This presentation may contain forward-looking statements which are based on current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Such forward-looking statements are not a reliable indicator of future performance. This presentation is not intended as an offer, invitation or solicitation for the purchase or sale of any investment, nor is its issuance intended to give rise to any other legal relations whatsoever and this presentation must not be relied upon for the purposes of any investment decision. While this presentation has been prepared in good faith, no representation or warranty of any sort, express or implied, is made in respect of this presentation and no liability whatsoever is accepted by Aberforth Partners LLP or any other person in relation thereto.

Important information



- The information contained in this presentation does not constitute an offer of, or an invitation to apply for, securities in any jurisdiction where such an offer or invitation is unlawful or in which the person making such offer is not qualified to do so or to whom it is unlawful to make such an offer or solicitation. Specifically, any Fund described will not be registered under the U.S. Securities Act of 1933, as amended, and may not be directly or indirectly sold or offered in the U.S.A. or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of a U.S. person.
- Persons resident in countries other than the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest in any product described in these pages.
- Aberforth Partners LLP is a limited liability partnership registered in England and Wales (registered number OC313353) and its registered office address is The Broadgate Tower, Primrose Street, London EC2A 2EW. It has its principal place of business at 14 Melville Street, Edinburgh EH3 7NS.
- Aberforth Partners LLP is authorised and regulated by the Financial Conduct Authority.

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



- 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.
- The Ordinary Shares of Aberforth Split Level Income Trust plc are geared by the Zero Dividend Preference Shares of the company and rank for repayment of capital after the Zero Dividend Preference Shares and any creditors of the company. A positive net asset value for those Ordinary Shares will be dependent upon the company's assets being sufficient to meet the prior capital entitlements of the holders of the Zero Dividend Preference Shares. The Ordinary Shares should therefore be regarded as carrying above average risk. The Zero Dividend Preference Shares are not a protected or guaranteed investment. In particular, should the company be wound up prior to its planned winding up date, holders of Zero Dividend Preference Shares would only receive their accrued capital entitlement to the date of winding up which would be less than the final anticipated capital entitlement of those shares.
- 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.