

# Aberforth Partners LLP

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Presentation to

Investors

May 2024

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ABERFORTH PARTNERS

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- 34 years of consistency
  - Asset class, investment philosophy, collegiate process, engagement
  - The ceiling on AuM remains – c.£250m of capacity
- A busy year so far
  - Good investment performance
  - Working on ASLIT’s planned wind-up and the launch of a new trust:
    - Aberforth Geared Value and Income Trust plc or “AGVIT”
  - Letter about consultation sent to the chairs of all investee companies

# Total returns to 30 April 2024



Total Return %	YTD	1 Year	CAGR			ASCoT inception
			3 Year	5 Year	10 Year	
FTSE All-Share	6.1	7.5	7.4	5.4	5.8	8.2
FTSE 250 (XIC)	2.4	6.5	-1.0	2.5	4.7	10.4
FTSE SmallCap (XIC)	2.9	11.3	0.0	6.1	5.9	7.8
DNSCI (XIC) - benchmark	2.0	7.2	-1.3	3.7	5.0	9.6
ASCoT NAV	7.8	13.6	2.8	5.6	5.7	11.9
ASCoT share price	7.3	17.3	1.9	5.7	5.2	11.6
AFUND	7.4	13.2	2.8	5.3	5.5	*
Inception date for ASCoT was 10/12/1990			* AFUND from inception 20/03/1991			11.3
			DNSCI (XIC) from AFUND inception 20/03/1991			9.1

- Positive equity returns as markets remain focused on the interest rate cycle
- Aberforth funds helped by M&A
- Indications that investors are waking up to the UK opportunity

# Value roll – year to date



Top 10 Purchases		
Rank	Company	£m
1	Dowlais Group Plc	14.6
2	Moneysupermarket.com	13.2
3	Hilton Food Group	10.3
4	Halfords Group	9.6
5	Crest Nicholson Holdings	6.4
6	Jupiter Fund Management	4.4
7	Close Brothers Group	4.2
8	XP Power	4.1
9	NCC Group	3.6
10	ASCoT Buybacks	3.2

Top 10 Sales		
Rank	Company	£m
1	Wincanton	72.3
2	Bodycote	12.3
3	Keller Group	10.0
4	Redrow	8.2
5	Hostelworld Group	5.6
6	FirstGroup	4.9
7	Avon Protection	4.5
8	Senior	2.4
9	Centamin	2.2
10	Spirent Communications	1.9

New Holding or Total Sale

- 12 month turnover: 18%
- Sales influenced by M&A: bids for Wincanton, Redrow, Spirent Communications
- A broad opportunity set: capital rotated into a diverse set of businesses
- 2024 EV/EBITA: 10.9x for sales vs. 8.1x for purchases

# Winners and losers – year to date



10 Best winners			
Rank	Company	Total return (%)	Attribution (bp)
1	Wincanton	94	225
2	CMC Markets	150	140
3	Watches of Switzerland Group	-52	63
4	Avon Protection	43	62
5	Bakkavor Group	55	57
6	Just Group	22	32
7	Foxtons Group	28	28
8	Centamin	22	25
9	Dowlais Group Plc	-21	25
10	Hostelworld Group	18	24

10 Worst losers			
Rank	Company	Total return (%)	Attribution (bp)
1	Videndum	-21	-43
2	SIG	-22	-35
3	4imprint Group	37	-33
4	Plus500	36	-31
5	Close Brothers Group	-43	-27
6	Marstons	-17	-25
7	TBC Bank Group	22	-23
8	Indivior	22	-22
9	Headlam Group	-19	-21
10	Robert Walters	-11	-20

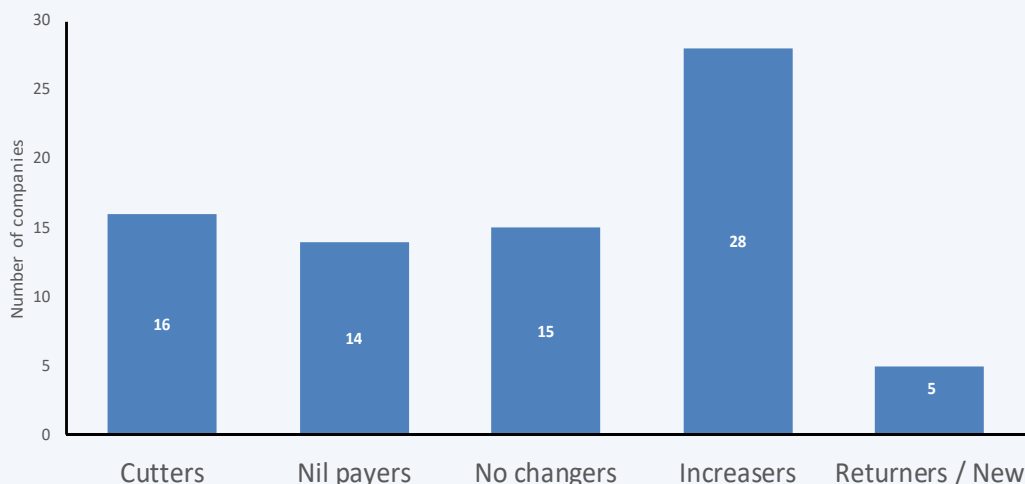
Not held in portfolio

Purchased during the period

# Dividends and income

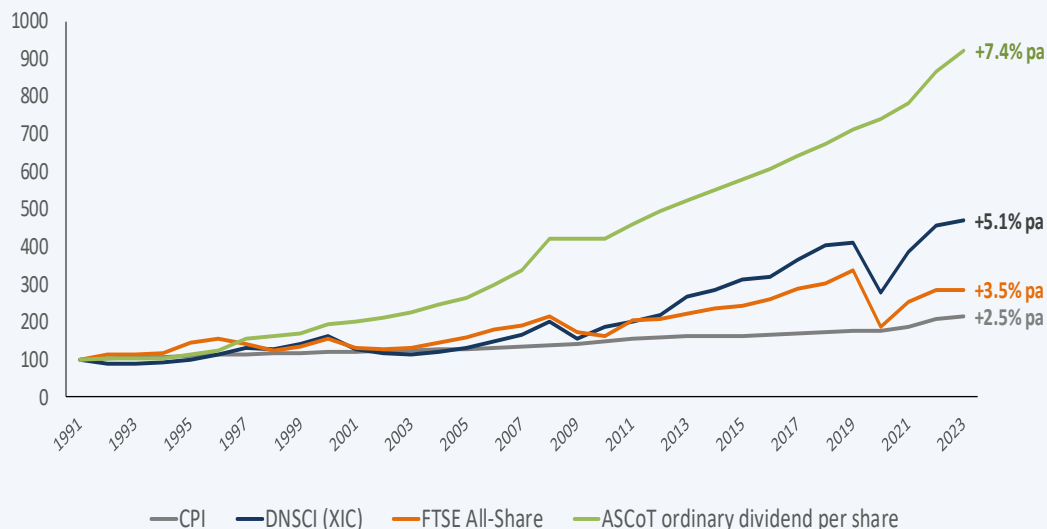


Portfolio categorised by holding's most recent dividend action



- Portfolio experience influenced by recession
- Historical portfolio yield of 4.2%
- Some offset to economic headwinds from
  - Portfolio dividend cover of 2.5x
  - Strong balance sheets
  - Scope for more Nil payers to return

Dividend records since ASCoT's inception at the end of 1990



- Meeting the challenge of inflation
- ASCoT's board aims to grow the dividend in real terms
  - 2023 full year dividend (ex specials): +6.4% year on year
  - Revenue reserves at 31 December 2023: 80.1p, c.1.9 years

# A contrarian opportunity

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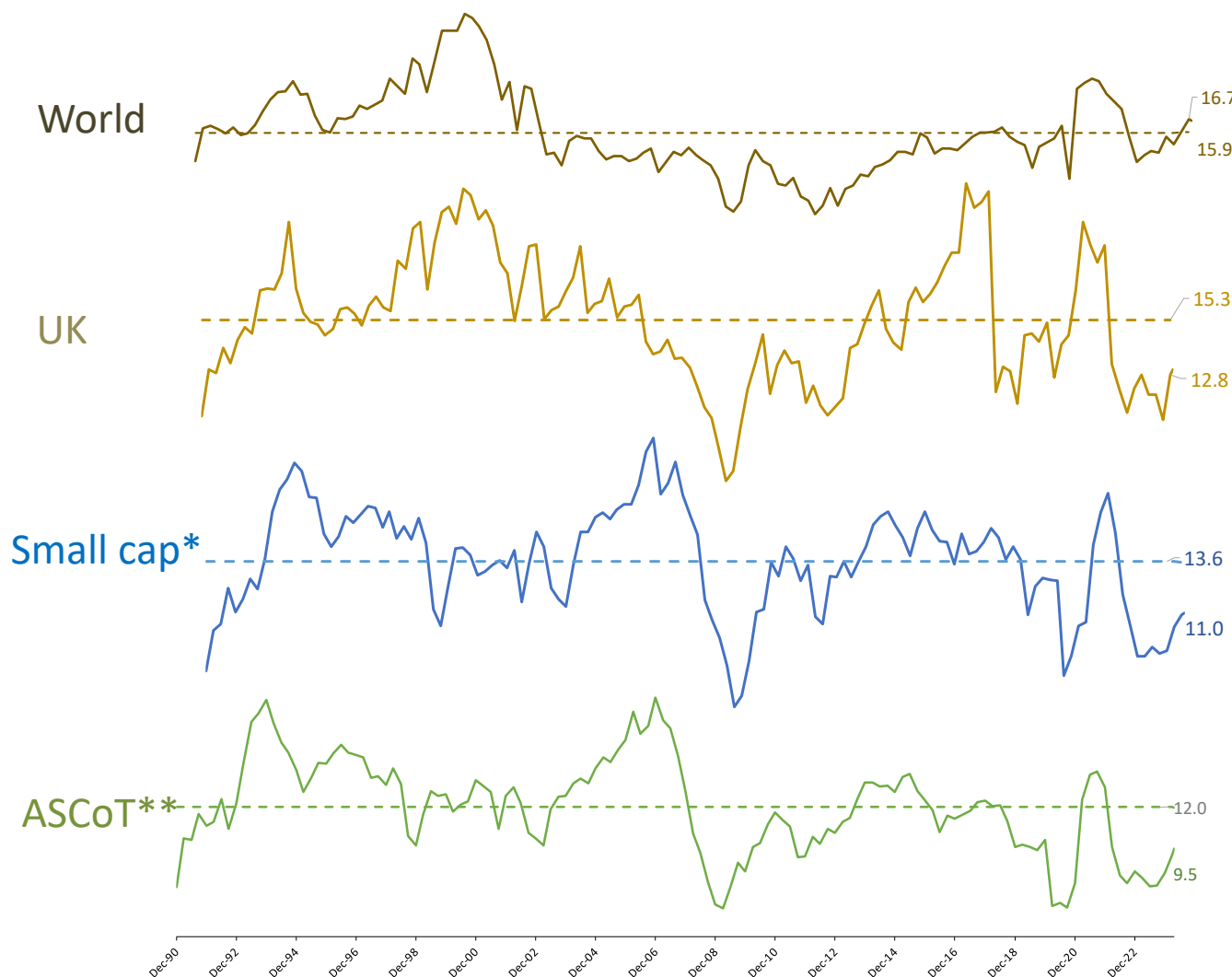


- Why?
  - Despondency about the UK
  - Concern about small cap sensitivity to the economic cycle
  - Fears about small cap liquidity
  
- But ...
  - UK is looking less exceptional in political and economic terms
  - Recession in H2 2023 and earnings have fallen
  - The small cap premium is a reward for taking on illiquidity
  
- And ...
  - The concerns are reflected in valuations ...

# Valuations – the triple discount



## Historical PEs



PE relatives – the triple discount:

### 1. The UK vs. RoW

33Y average 0.96  
Today 0.77

### 2. Small caps vs. UK

33Y average 0.89  
Today 0.86

### 3. Aberforth vs. Small caps

33Y average 0.89  
Today 0.86

\*London Business School series till 2013, then Tracked Universe

\*\*Aberforth Smaller Companies Trust, Aberforth's longest standing client



# There are signs of the tide turning

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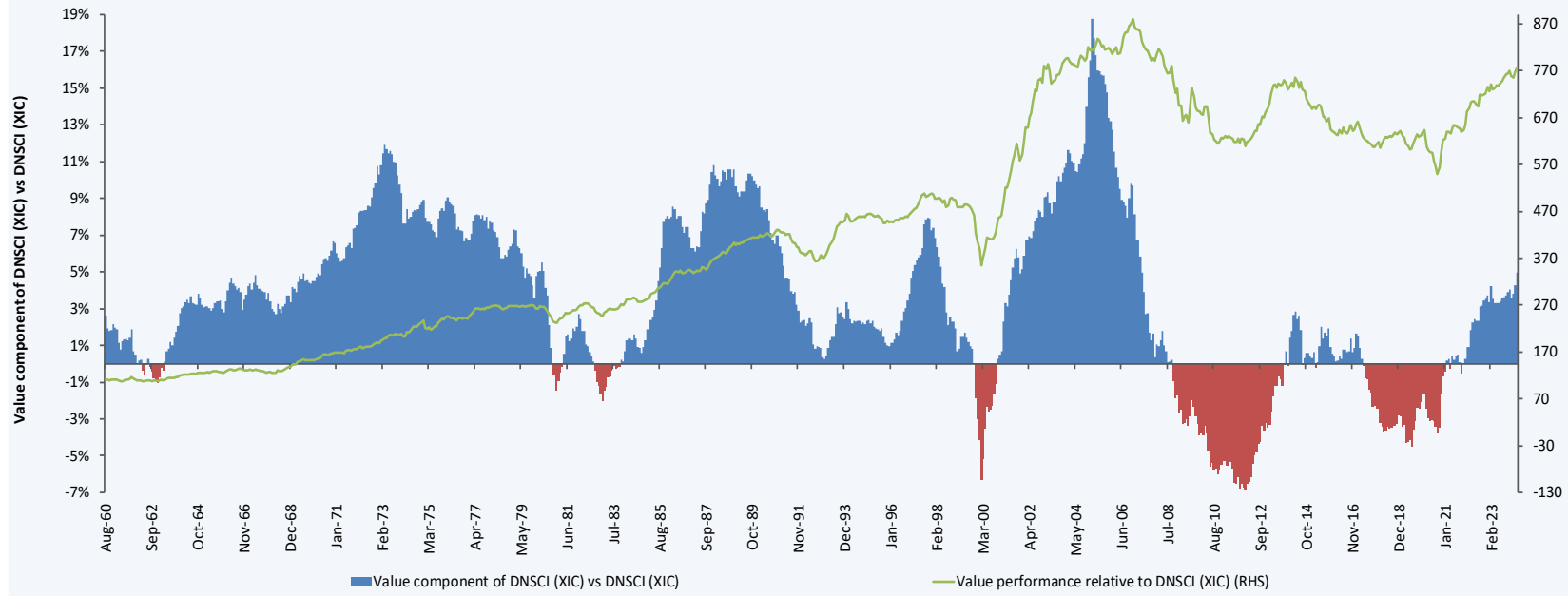


- Valuations are taking the strain as share prices under-react to profit warnings
- The value style is stirring
- Marginal buyers emerging: bigger companies, private equity, share buy-backs
- Regulators and government are trying to help
- Aberforth's contention
  - The forces of capitalism are still at work
  - If a rising tide does not re-rate the asset class, M&A will continue
  - Either route should support investment returns

# Investment style – the value premium is re-emerging



Value component of DNSCI (XIC) against DNSCI (XIC)



- A more favourable style backdrop with higher inflation and bond yields
- The value premium within the DNSCI (XIC) since
  - The index's inception in 1955 +3.3% p.a.
  - ASCoT's inception in 1990 +2.0% p.a.

# The early 1990s precedent – history rhymes?



- A downturn caused by inflation and tighter monetary policy

The slingshot in action:	1990	1991	1992	1993	Cumulative 1991-1993	2022	2023
<i>Economic context</i>							
UK GDP YoY	+0.6%	-1.4%	+0.2%	+2.3%	+1.1%	+0.6%	-0.2%
UK CPI YoY	+7.0%	+8.5%	+4.2%	+2.5%	+15.9%	+10.5%	+4.0%
UK base rates	13.9%	10.4%	6.9%	5.4%		3.5%	5.3%
<i>DNSCI (XIC) experience</i>							
Implied earnings growth *	+1.8%	-13.7%	-13.1%	+6.2%	-20.3%	+33.9%	-8.2%
Year end historical PE *	8.2x	11.3x	13.9x	18.6x		8.1x	12.8x
Total return	-23.5%	+18.3%	+6.4%	+41.6%	+78.2%	-17.9%	+10.1%

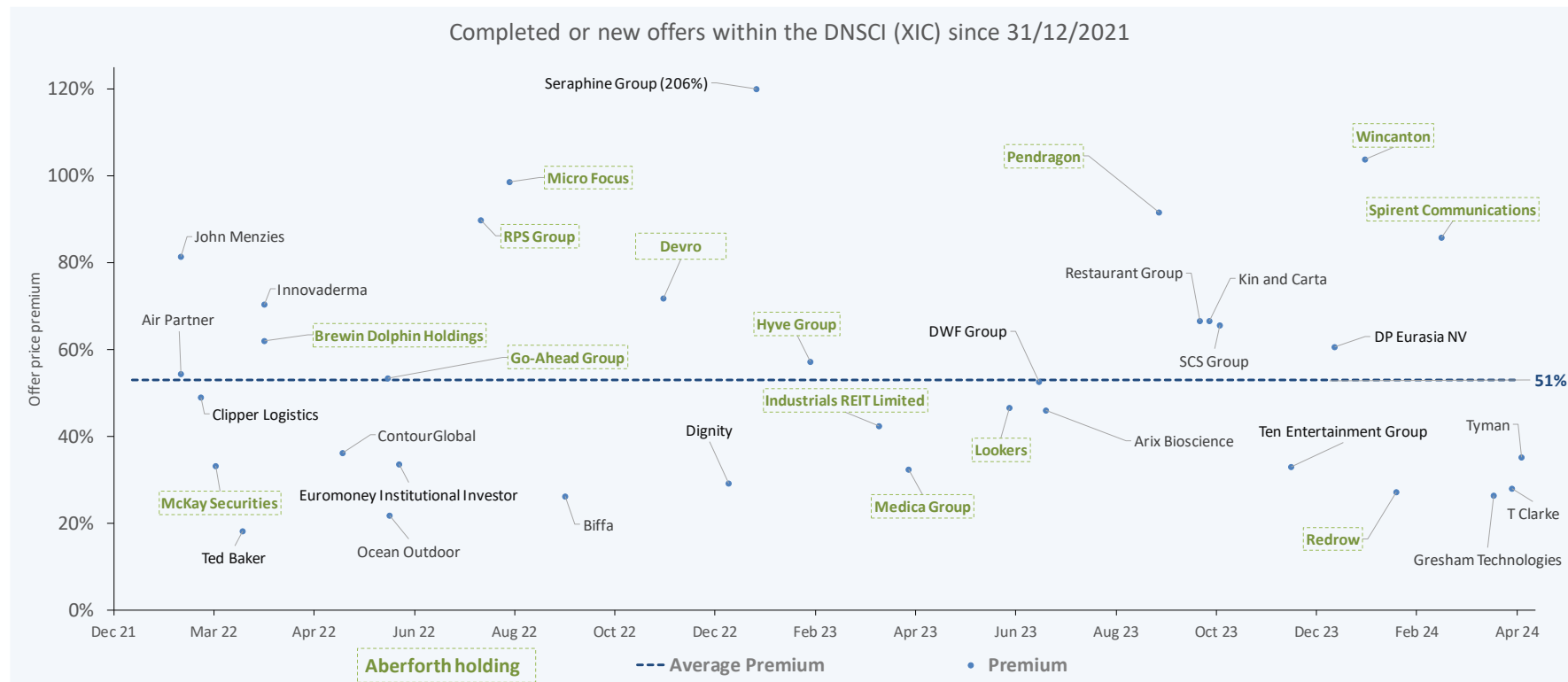
\* Earnings and PE data: LBS for 1990-1993 and Tracked Universe for 2022-2023

- The market anticipates – strong total returns despite weak fundamentals
- Returns powered by expectation of earnings recovery and re-rating



What if the consensus is right?

# M&A is exposing low valuations

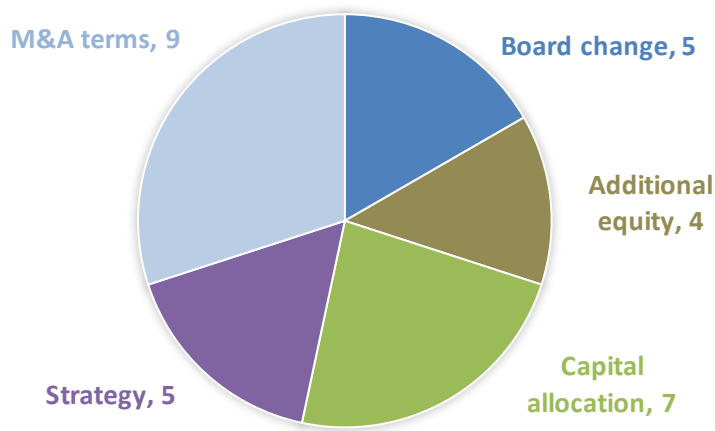


- Higher funding costs have not curtailed interest
  - ASCoT’s 2024 7.1x EV/EBITA compares to 13.8x on the 37 takeovers
- Takeover may be the right solution BUT AT THE RIGHT PRICE
  - We do not support all approaches

# Engagement – to enhance investment returns



Instances of influential engagement in 2023



- Purposeful and discreet engagement
- Practised for over thirty years
- Today, engagement is more important than ever
  - Valuations are extremely low
  - Some investors and boards are jaded
- Engagement helped by clients' significant stakes

- Aberforth wrote to the chairs of all investee companies
  - The importance of timely consultation
  - Prompted by a growing concern about inadequate consultation
  - A reminder of our expectations when boards are considering actions that affect shareholders



Aberforth Clients' Stake 16.2% = £122m

Market Capitalisation £747m

- Business
  - Diversified UK logistics provider operating in construction, retail and government
  - Logistics is low margin but critical work for customers and is inherently cash generative
- Opportunity
  - Low valuation owing to addressable legacy issues – pensions deficit and poor contracts
- Valuation
  - EV/EBITA 6.5x, dividend yield 4.6%, price-to-earnings 9.7x
  - A scarce asset – the sector has undergone significant consolidation in recent years

- Recent events
  - Defined benefit pension scheme de-risked, saving c.£24m p.a.
  - Returns to shareholders – £10m share buy-back

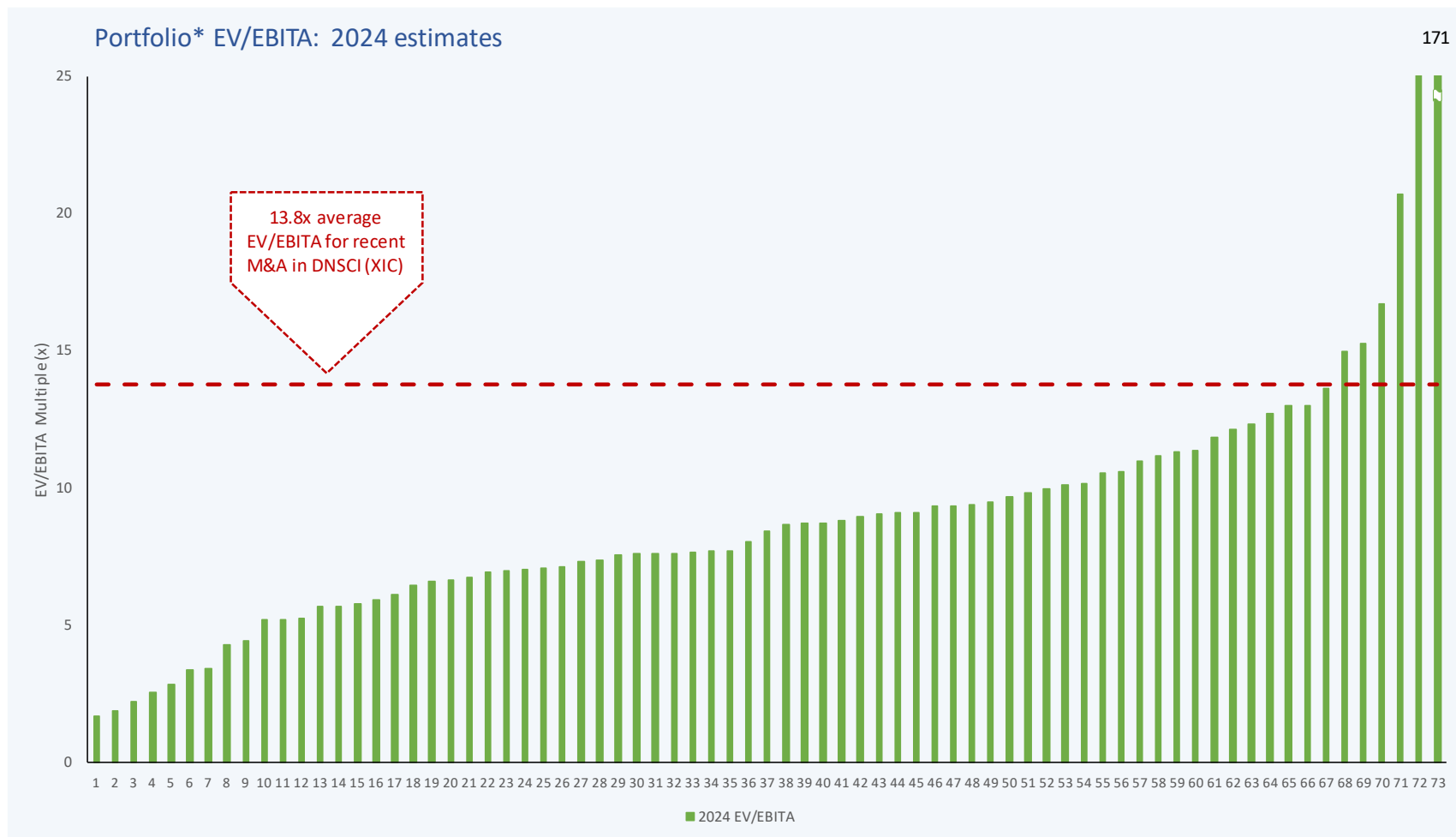
- CEVA offers
  - 450p recommended bid from CEVA Logistics: 10.3x 2023 EBITA valuation; 52% premium
  - A low valuation compared with other UK logistics deals over past 10 years
  - No consultation from the board, despite our requests
  - We informed CEVA that we would vote against the 450p offer
  - We engaged to secure a better offer at 480p without giving an irrevocable commitment

- GXO offer
  - We were able to leverage our clients' stake to help secure GXO's 605p counter offer
  - A great outcome in terms of both premium and valuation
  - We gave an irrevocable commitment to vote in favour of the deal
  - **The uplift added value of c.£31m to Aberforth clients**

# M&A opportunity for ASCoT's portfolio



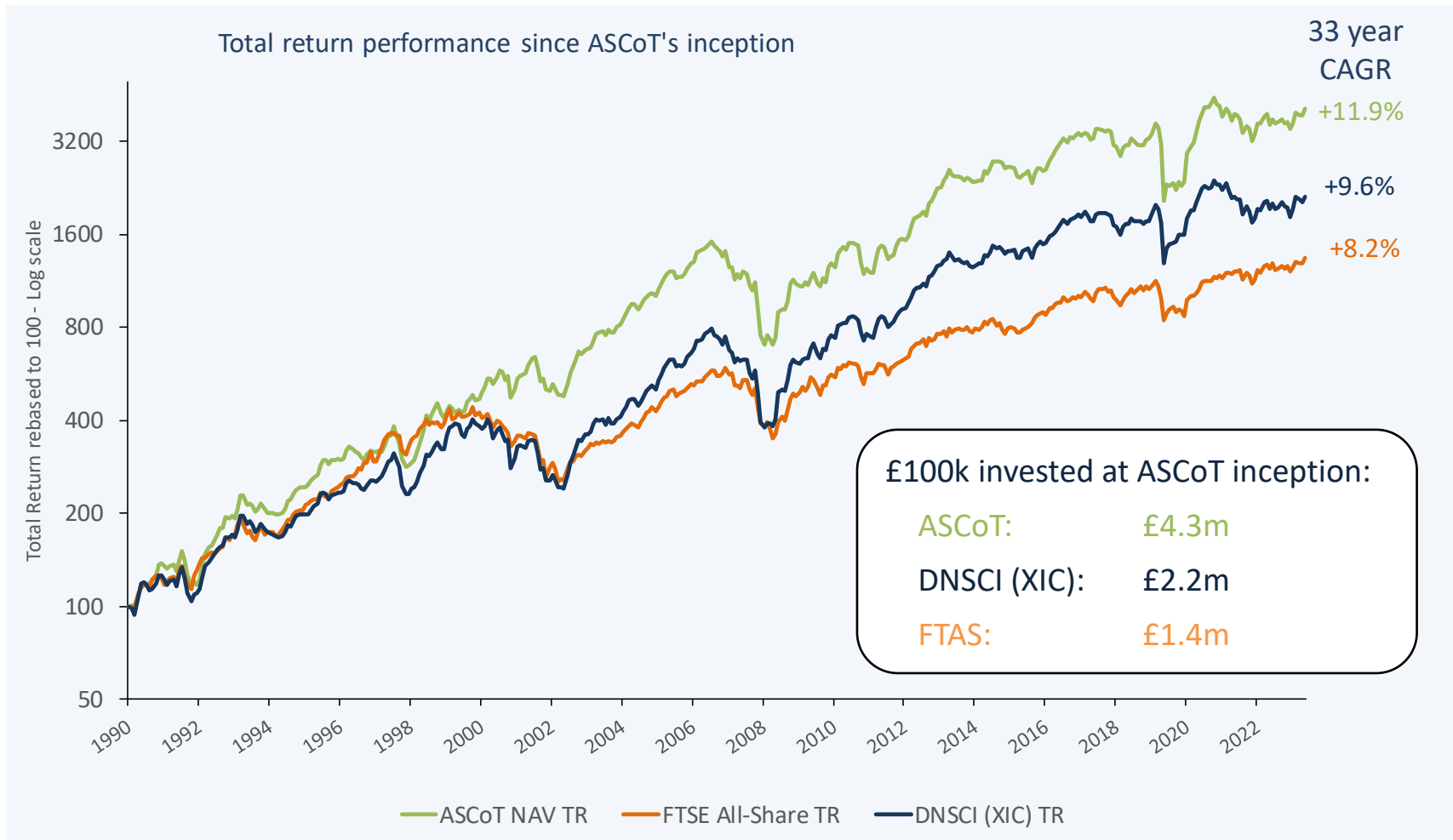
- EV/EBITA of holdings compared with recent M&A multiples – significant upside



\* Excludes Banks, REITs and a loss maker.



# Aberforth's long term performance record



- Value style, bottom-up analysis, purposeful engagement, collegiate decision-making

# Conclusion

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- Valuations mean that something has to give
- And there are signs of an inflection under way
- When small caps move, they do so quickly ...
  - £100k invested in ASCoT in December 1990 is worth £4.3m today
  - Without the best three months, the £100k is worth £2.5m
- Aberforth's funds can help address liquidity concerns
  - ASCoT: the largest UK small cap investment trust
  - AFUND: open-ended fund with capacity of c.£250m within Aberforth's AuM cap
  - AGVIT: a geared and fully invested fixed life trust with a placing in June



# Appendix

# Top 20 holdings



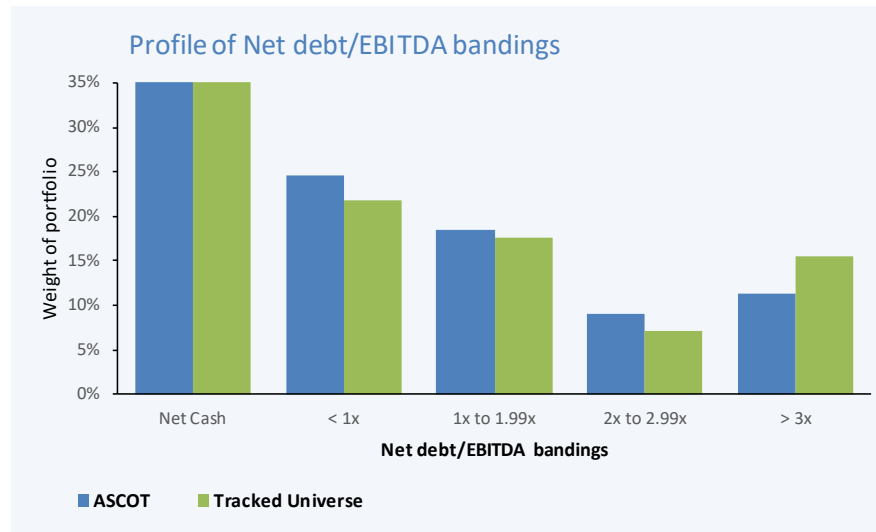
Rank	Company	Activity	Total portfolio (%)
1	Wilmington	Business publishing & training	3.0
2	CMC Markets	Financial derivatives dealer	2.8
3	Morgan Advanced Materials	Manufacture of carbon & ceramic materials	2.8
4	Just Group	Individually underwritten annuities	2.6
5	Redde Northgate	Van rental	2.5
6	Vesuvius	Metal flow engineering	2.5
7	Centamin	Gold miner	2.3
8	Bakkavor Group	Food manufacturer	2.1
9	Avon Protection	Military protection products	2.0
10	FirstGroup	Bus & rail operator	2.0
11	NCC Group	IT security	1.9
12	C&C Group	Brewer and drinks distributor	1.9
13	Card Factory	Retailing - greetings cards	1.9
14	TI Fluid Systems	Automotive parts manufacturer	1.9
15	Mitchells & Butlers	Operator of restaurants, pubs & bars	1.9
16	Conduit Holdings	Bermuda based (re)insurer	1.9
17	International Personal Finance	Home credit provider	1.9
18	Rank Group	Multi-channel gaming operator	1.8
19	Crest Nicholson Holdings	Housebuilding	1.7
20	EnQuest	Oil & gas exploration and production	1.7
Top 20			43.0
21 - 30			15.3
31 - 78			41.7
Actively managed portfolio with an active share of 73%			100.0

# Sector exposure

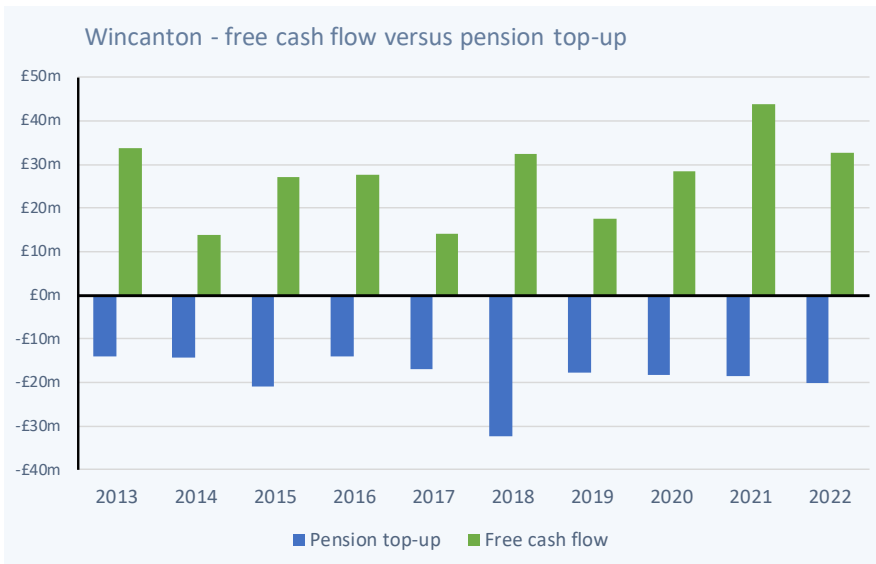


Sector	DNSCI (XIC) weight	Portfolio weight	Relative weight	Significant holdings
Technology	7.3%	4.2%	-3.1%	NCC Group
Telecommunications	3.6%	2.1%	-1.5%	
Health Care	3.7%	0.0%	-3.7%	
Financials	20.6%	18.5%	-2.2%	International Personal Finance, Just Group, Conduit Holdings, CMC Markets
Real Estate	8.2%	4.2%	-4.0%	
Consumer Discretionary	17.6%	23.2%	5.6%	Card Factory, Mitchells & Butlers, TI Fluid Systems, Wilmington, Rank Group, Crest Nicholson Holdings
Consumer Staples	4.8%	5.4%	0.6%	C&C Group, Bakkavor Group
Industrials	22.6%	33.5%	10.9%	FirstGroup, Morgan Advanced Materials, Robert Walters, Vesuvius, Redde Northgate, Videndum, Galliford Try Holdings, Avon Protection
Basic Materials	7.1%	5.5%	-1.6%	Centamin
Energy	4.1%	2.3%	-1.8%	Enquest
Utilities	0.4%	0.0%	-0.4%	

# Balance sheets and free cash flow resilience



- Strong balance sheets among small companies
- Higher leverage among pub companies, lenders and real estate
- 13 portfolio companies buying back shares
  - A useful supplement to a suitable ordinary dividend policy



- Higher bond yields are allowing companies to de-risk their pension schemes
- The boost to free cash flow can be substantial
- Wincanton is a useful example
  - £271m cumulative 10Y free cash flow
  - £187m cumulative 10Y pension top-ups
  - £370m pre bid market cap

# EV/EBITA – our favoured metric



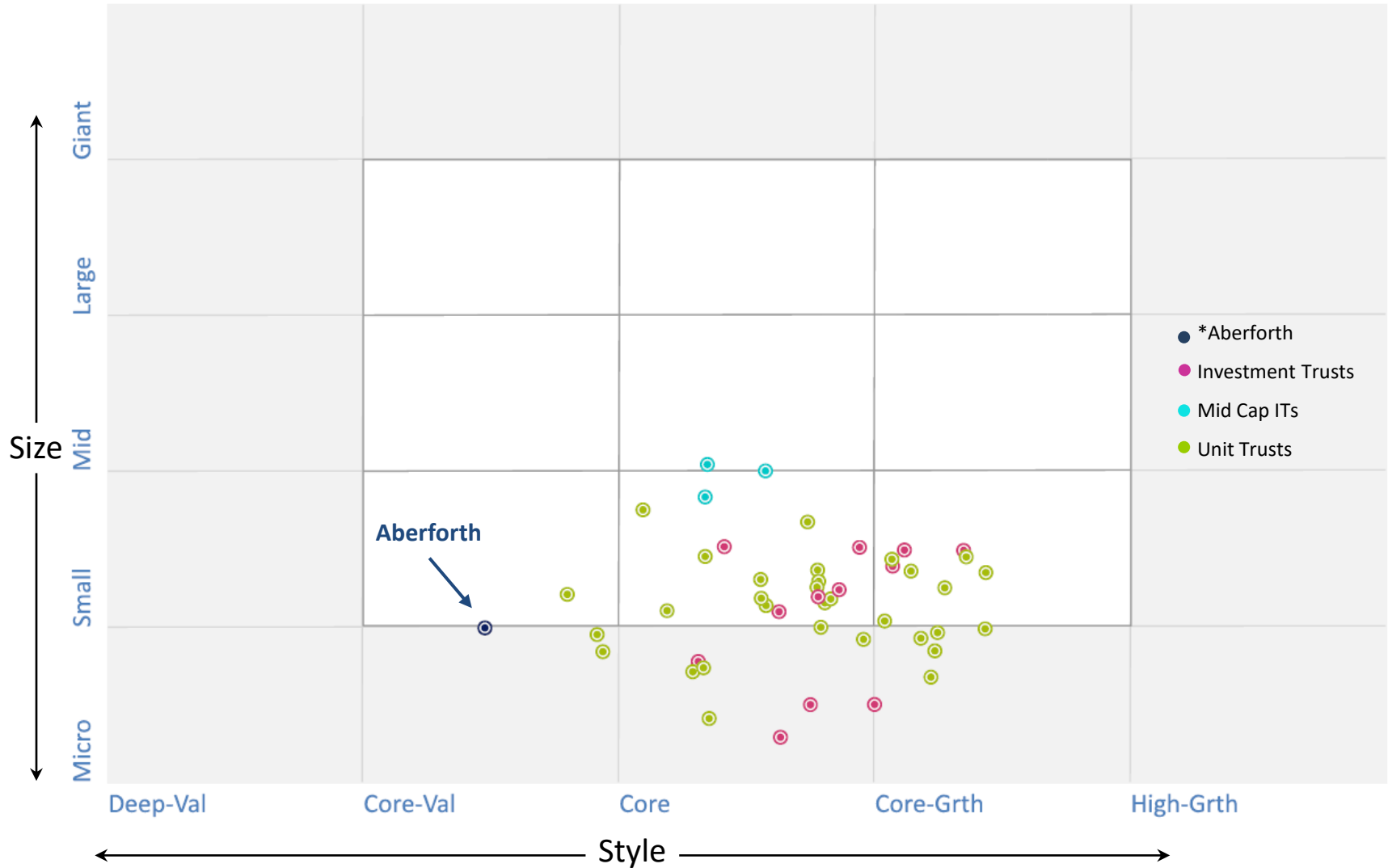
EV/EBITA	Number of stocks	2023	2024	2025
ASCOT	78	7.9x	7.1x	6.1x
Tracked Universe	227	9.8x	8.8x	8.0x
<i>Growth stocks</i>	32	18.1x	15.0x	13.4x
<i>Other stocks</i>	195	9.0x	8.1x	7.3x
<i>Stocks &lt; £600m mkt. cap.*</i>	138	8.2x	7.2x	6.2x
<i>Stocks &gt; £600m mkt. cap.*</i>	89	10.6x	9.7x	8.9x

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

# Aberforth's differentiation

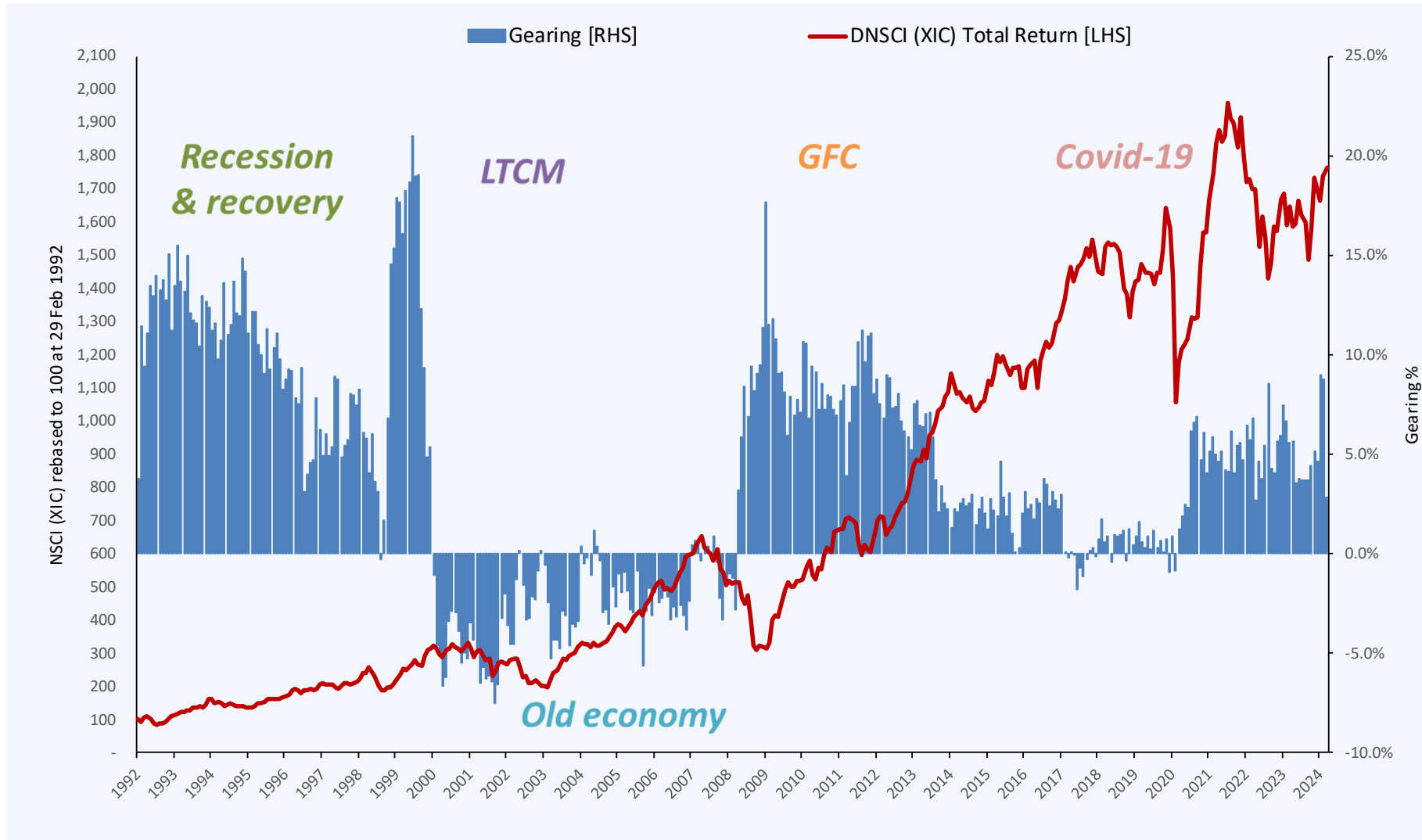


Holdings-Based Style: Aberforth & IT Peers & UT Peers > £100m

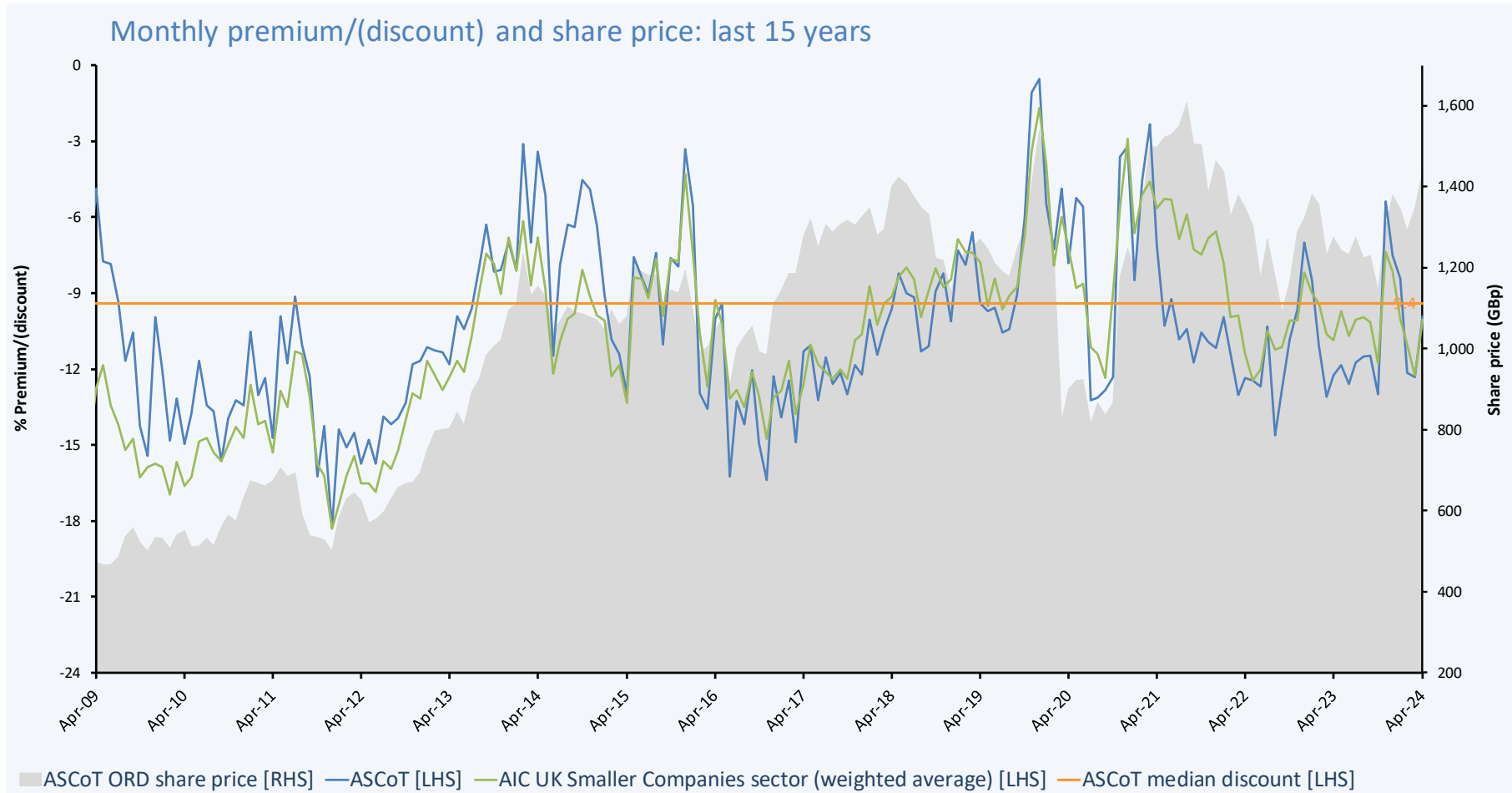




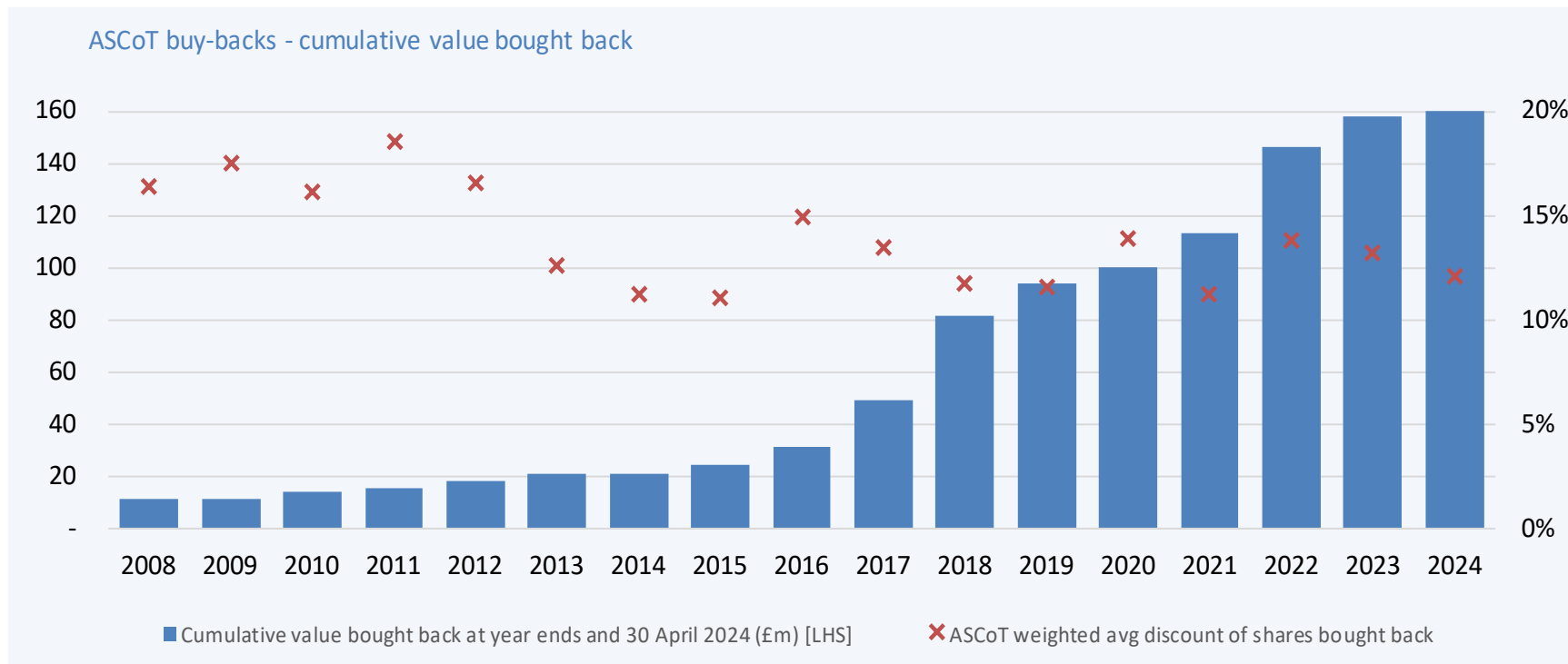
# ASCoT – gearing



# ASCoT – share price and discount



# ASCoT – buy-backs



- Cumulative buybacks since 2008: **£161m**
- Weighted average discount of all buybacks: **13.6%**
- Value added: **£24.3m**, equating to **29p** per share

# 2024 growth stocks



## Securities

4imprint Group	IP Group
AJ Bell	JTC
Alphawave IP Group	Kainos Group
AO World	Kin and Carta
Arix Bioscience	Molten Ventures
Auction Technology Group	Oxford Biomedica
Baltic Classifieds Group	Oxford Instruments
Bytes Technology Group	PensionBee Group
Ceres Power Holdings	Porvair
Chemring Group	PureTech Health
discoverIE Group	SolGold
Dominos Pizza Group	THG
DP Eurasia	Trainline
Genus	Treatt
Goodwin	Trustpilot Group
Gresham Technologies	Volution Group
Helios Towers	Zotefoams
Integrafin Holdings	

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

# 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>				

# Investment managers

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## SAMUEL G FORD MEng

Sam joined Aberforth in August 2019 and became a Partner in May 2021. As a fund manager on M&G Investments' equity income team for the previous 5 years, he managed UK equity portfolios for a range of clients. Prior to that he was an investment manager with Alliance Trust for 8 years. Sam has passed all three levels of the CFA programme.

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## JEREMY G A HALL MA (Hons)

Jeremy joined Aberforth in October 2018 and became a Partner in January 2020. Fund management roles with Abbey National Asset Managers and SVM Asset Management were followed by ten years with Cartesian Capital Partners LLP, where he was a partner and managed UK equity portfolios for a range of clients. Jeremy has passed all three levels of the CFA programme.

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## EUAN R MACDONALD BA (Hons)

Euan joined Aberforth in May 2001 and became a Partner in May 2004. Previously he was with Baillie Gifford for 10 years where he managed portfolios invested in small companies both in Continental Europe and the UK.

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## C ROWAN MARRON MSc

Rowan joined Aberforth in November 2023. She has fifteen years' previous experience as an equity analyst, most recently at Rathbones Investment Management. Her experience covers a wide variety of sectors, geographies and cap sizes, and includes eighteen months with a quantitative start-up. Rowan has passed all three levels of the CFA programme.

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## ROBERT D SCOTT MONCRIEFF BSc (Hons)

Rob joined Aberforth in February 2022 and became a Partner in March 2024. He previously worked as a global equities analyst with Latitude Investment Management. Rob's early career included UK-focussed equity research responsibilities with Brewin Dolphin, following an internship with International Value Advisers, in New York. Rob has passed all three levels of the CFA programme.

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## PETER R SHAW BCom (Hons)

Peter joined Aberforth in April 2016 and became a Partner in May 2017. He joined from Kames Capital where he spent 15 years in equity fund management. Initially the experience gained was exclusively in the small company market. However, the subsequent integration of the small company team into the broader UK equity team led to a wider range of portfolio and research responsibilities.

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# 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 = 2.8%	N/A	Structural (ZDPs) = 37.2%
Size (AUM)	£1,403m	£144m	£222m
Number of investee companies	78	78	68
Benchmark	DNSCI (XIC)	DNSCI (XIC)	N/A
Investment philosophy	Value	Value	Value/Income
Management fees ( <i>ongoing charges</i> )	73 bps* (79 bps)	75 bps* (82 bps)	101 bps* (126 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

84,169,605

- next continuation vote in March 2026 and every 3 years thereafter
- authority to buy back up to 12,626,767 shares in the calendar year granted at AGM
- cumulative shares bought back for cancellation since inception = 14,640,183

### Gearing

- as at 30 April 2024 actual was 2.8%
- potential for up to £130m or 4.7%

### Dividends

Based on the following historic actuals:

2023  
50.50p

- final paid March 2024 (28.55p)
- special paid March 2024 (9.00p)
- interim paid August 2023 (12.95p)

2022  
47.30p

- final paid March 2023 (26.95p)
- special paid March 2023 (8.30p)
- interim paid August 2022 (12.05p)

2021  
35.20p

- final paid March 2022 (24.25p)
- interim paid August 2021 (10.95p)

2020  
33.30p

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

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 30 April 2024	Issue Price	Cancellation Price	Units in Issue
Accumulation Units	£332.09	£326.41	276,433
Income Units	£215.11	£211.43	250,694

### Limited issue fund with Accumulation and Income units

- value at cancellation price: £143m
- no entry or exit fees charged; dealing spread 1.7% (mid-basis)
- yield on Income units: 3.6%
- current distribution period ended 30 June 2024; payable August 2024
- previous distribution period ended 31 December 2023; paid February 2024
- 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	<ul style="list-style-type: none"><li>all net income, plus all net assets on a winding up – after ZDP entitlements met</li></ul>
Zero Dividend Preference (ZDP) shares 47,562,500	<ul style="list-style-type: none"><li>no dividends, but final capital entitlement of 127.25p on planned winding up date</li></ul>
Life	<ul style="list-style-type: none"><li>planned winding up date: 1 July 2024</li></ul>
Gearing	<ul style="list-style-type: none"><li>structural gearing via the ZDP shares</li></ul>
Dividends	Based on the following historic actuals:
2024	<ul style="list-style-type: none"><li>first interim paid March 2024 (2.75p)</li></ul>
2023 5.00p	<ul style="list-style-type: none"><li>first interim paid March 2023 (1.70p)</li><li>second interim paid August 2023 (3.30p)</li></ul>
2022 4.55p	<ul style="list-style-type: none"><li>first interim paid March 2022 (1.51p)</li><li>second interim paid August 2022 (2.79p)</li><li>special paid August 2022 (0.25p)</li></ul>

# 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.
- **The Association of Investment Companies (AIC)** represents closed-ended investment companies whose shares are traded on public markets.
- **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.
- **DNSCI (XIC):** The Deutsche Numis Smaller Companies Index (excluding Investment Companies).
- **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.
- **Free cash flow (FCF)** represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets.
- **Funds:** **ASCoT** – The Aberforth Smaller Companies Trust plc; **ASLIT** – Aberforth Split Level Income Trust plc; **AFUND** – Aberforth UK Small Companies Fund; **AGVIT** – Aberforth Geared Value & Income Trust.
- **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.

# Glossary – Aberforth Funds



- **GHG:** Green House Gas emissions.
- **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.
- **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
- **PE:** The price-earnings ratio (P/E ratio).
- **RDR:** Retail Distribution Review.
- **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.
- **REITs (Real Estate Investment Companies):** a company that owns, and in most cases operates, income-producing real estate
- **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.
- **SBTI:** Science Based Targets Initiative.



- **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/buybacks:** 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.
- **Small Cap(s):** companies with a market capitalisation between £50m and £230m.
- **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.
- **TCFD:** Task Force on Climate-Related Disclosures.
- **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 (TR):** capital appreciation plus reinvested dividends.
- **Turnover** is calculated by summing the lesser of purchases and sales and dividing by the average portfolio value.
- **UK Base Rate:** the rate the Bank of England charges other banks and other lenders when they borrow money.
- **UK CPI (Consumer Price Index):** is a price index that measures the overall change in consumer prices based on a representative basket of goods and services over time.
- **UK GDP (Gross Domestic Product):** measures the monetary value of final goods and services— that is, those that are bought by the final user— produced in a country (in this instance the UK) in a given period.
- **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.
- **XIC:** excluding investment companies.
- **YoY (Year over Year):** a financial metric used to compare data from the current year versus the previous year.
- **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

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- Throughout this presentation references to: SMALL COMPANIES mean constituents of the Deutsche Numis Smaller Companies Index (Excluding Investment Companies) which are referred to as “DNSCI (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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- 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.
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- The market price of securities issued by a 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 a Fund.
- There can be no guarantee that the investment objective of a 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.



- 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.
- 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 a 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 a 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.