



## ABERFORTH PARTNERS

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### **Aberforth Split Level Income Trust plc (the "Company")**

**Update on planned reconstruction and voluntary winding-up of the Company and further dividend**

### **Introduction and background**

The last "Chairman's Statement", released with the Company's Interim Report on 29 January 2024, shared the Board's views about the planned winding-up of the Company. This announcement provides an update on these plans.

The Board has reached agreement in principle with Aberforth Geared Value & Income Trust plc ("AGVIT") on the outline terms of the scheme of reconstruction and voluntary winding-up of the Company, (the "**Scheme**") and associated transfer of part of the assets and undertaking of the Company to AGVIT in exchange for the issue of new ordinary shares and new ZDP shares in AGVIT (the "**Proposals**"). If the Company's shareholders ("**Shareholders**") approve of the Proposals, the Scheme is expected to become effective on 28 June 2024 and AGVIT will act as a rollover option for investors in the Company.

AGVIT will be a new investment trust, expected to launch on 1 July 2024, which will invest in a diversified portfolio of small UK quoted companies. Aberforth Partners, the Company's investment managers, will also be the investment managers of AGVIT. AGVIT's capital structure will comprise ordinary shares with gearing via ZDP shares. Both classes of share will be issued at 100 pence per share on launch. The level of gearing for the ordinary shareholders in AGVIT at launch would be similar to the current gearing level of ASLIT, in a range of 30 to 40 per cent. of total ordinary shareholders' funds.

AGVIT's investment objective will be to provide AGVIT's ordinary shareholders with high total returns,



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incorporating an attractive level of income, and to provide AGVIT's ZDP shareholders with a pre-determined final capital entitlement on AGVIT's planned winding-up date of 30 June 2031. The gross redemption yield of the AGVIT ZDP shares at launch will be announced when the AGVIT prospectus is published by the end of May 2024. AGVIT's portfolio construction will be aimed at delivering an attractive yield and will also be designed to take advantage of the significant recovery potential of UK equities in general and smaller companies in particular.

It is also proposed that AGVIT issue AGVIT ordinary shares and AGVIT ZDP shares at the issue price of 100 pence per share, pursuant to a placing and offer for subscription.

### **Benefits of the Proposals**

The Board considers that the Proposals have the following benefits for Shareholders.

- They may offer Shareholders (depending on individual circumstances) the opportunity to roll over their investments in a tax efficient manner (without incurring an immediate liability to UK capital gains tax) into AGVIT's ordinary shares and/or ZDP shares.
- They enable Shareholders to maintain their exposure to a diversified portfolio of small UK quoted companies through a closed-ended investment vehicle with a fixed life without incurring significant realisation costs or portfolio reorganisation costs.
- They allow Ordinary Shareholders to maintain geared exposure to a portfolio of attractively valued small UK quoted companies.
- They enable Shareholders to continue to benefit from the management expertise of Aberforth Partners.
- They offer Ordinary Shareholders who wish to realise some or all of their investment the opportunity to do so at close to Net Asset Value.
- They avoid the need to realise all of the Company's small cap investment portfolio in the market to the extent that all or part of it is transferred to AGVIT under the Proposals, thereby saving potential realisation costs which would otherwise be borne by Ordinary Shareholders on the winding up of the Company.
- Shareholders who choose to roll over their investment in the Company into AGVIT will benefit from a £450,000 contribution from Aberforth Partners to the launch costs of AGVIT.

### **Further details of the Proposals**

Under the terms of the proposed Scheme:

- Ordinary Shareholders (other than overseas holders) will be able to exchange some or all of their investment in the Company for ordinary shares in AGVIT and/or to realise some or all of their investment in the Company for cash. To the extent that their election for AGVIT ordinary shares is



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scaled back, Ordinary Shareholders will be able to elect for AGVIT ordinary shares and AGVIT ZDP shares in a ratio determined by AGVIT's level of gearing.

- ZDP Shareholders (other than overseas holders) will be able to exchange some or all of their investment in the Company for ZDP shares in AGVIT and/or ordinary shares in AGVIT and/or to realise some or all of their investment in the Company for cash. To the extent that their election for AGVIT ZDP shares is scaled back, ZDP Shareholders will be able to elect for AGVIT ordinary shares and AGVIT ZDP shares in a ratio determined by AGVIT's level of gearing.

If Shareholders approve of these Proposals, it is currently anticipated that AGVIT would acquire part or all of the Company's assets, the consideration to be satisfied in part by the issue of AGVIT shares to Shareholders electing to roll over their investment into AGVIT, with the balance being payable by AGVIT to the Company in cash which it intends raising by means of a placing and offer for subscription.

It is intended that the AGVIT board shall have discretion (after consultation with ASLIT, Aberforth Partners and J.P. Morgan Cazenove) to scale back elections and/or applications to ensure that AGVIT:

- will not be larger than the Company; and
- the gearing of AGVIT ordinary shares by AGVIT ZDP shares will be in the range of 30 to 40 per cent.

In exercising its discretion, it is the intention of the AGVIT board to seek to ensure a fair allocation and give preference, so far as is practicable, in allocating AGVIT ordinary shares, to those Ordinary Shareholders who have elected (or are deemed to elect) to rollover into AGVIT ordinary shares and, in allocating AGVIT ZDP shares, the AGVIT board intends to give preference, so far as is practicable, to those investors who have also subscribed for (or rolled into) AGVIT ordinary shares and/or ZDP shares.

The AGVIT board anticipates that, in the absence of unforeseen circumstances, and on the basis of a gearing ratio at the higher end of the indicated 30-40% range, the target aggregate dividends, in respect of the period from AGVIT's launch to 30 June 2025, will be approximately 5 pence per AGVIT ordinary share. This is not a profit forecast. There can be no guarantee that AGVIT will pay such or any dividends.

### **Second interim dividend**

The Board had previously indicated that it planned to declare a second interim dividend to be paid to all Ordinary Shareholders (including those who elect to receive cash and not roll over their investment in the Company into AGVIT) by the end of June 2024 prior to the winding up of the Company and, in the absence of unforeseen circumstances, it was expected to be no less than 2.75p per Ordinary Share. The Board is pleased to announce that given the strength of the recent dividend experience, the Company's revenue position is such that the Board can revise upwards its estimation for the second interim dividend and, in the absence of unforeseen circumstances, expects this to be 3.25p per Ordinary Share. In expressing this intention, which is not a profit forecast, the Board has been guided



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by the Investment Managers' dividend estimates and revenue reserves as at 30 June 2023 of 1.32p per Ordinary Share. No further dividends are expected to be paid after this second interim dividend by the Company and Ordinary Shareholders will receive value for any remaining undistributed revenue reserves as part of the Scheme and the planned wind-up of the Company.

### **Next Steps**

The Board, in conjunction with the AGVIT board, and advisers to both companies, is working towards publishing final proposals by the end of May 2024. It is currently envisaged that a shareholder circular setting out the details of the Scheme and containing notices of the general meetings at which Shareholder approval for, *inter alia*, the Scheme will be sought, will be sent to Shareholders by the end of May 2024. The relevant general meetings are expected to be held during June 2024. Shareholders will note that the Board's plans are now at a relatively advanced stage though do remain subject to change, in whole or in part.



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