



Aberforth UK Small Companies Fund

Half Yearly Report

30 June 2025

Investment Objective

The investment objective of Aberforth UK Small Companies Fund (“the Fund”) is to seek to achieve a total return, calculated on an income reinvested basis, greater than the Deutsche Numis Smaller Companies Index (excluding Investment Companies) (“DNSCI (XIC)”) over the long term, with the focus on rolling five year periods.

Investment Policy

The Fund aims to achieve its objective by investing in small UK quoted companies. These are companies with a market capitalisation, at time of purchase, equal to or lower than the largest company in the bottom 10% of the main UK equity market or companies in the DNSCI (XIC). At 1 January 2025 (the date of the last annual index rebalancing), the index included 350 companies, with an aggregate market capitalisation of £153 billion. Its upper market capitalisation limit was £1.9 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer falls within this definition of a small company, its securities become candidates for sale.

Portfolio risk is spread by diversification of holdings in individual companies: the portfolio will usually have holdings in around 80 small UK quoted companies.

The Fund’s policy towards companies quoted on the Alternative Investment Market (“AIM”) generally precludes investment, except either where an investee company moves from the “Main Market” to AIM (so as to avoid being a forced seller) or where a company quoted on AIM has committed to move from AIM to the “Main Market” (so as to enable investment before a full listing is obtained). The Fund does not invest in any unquoted companies.

The Manager aims to keep the Fund near fully invested in equities at all times and there is normally no attempt to engage in market timing by holding high levels of liquidity.

The Manager believes that small UK quoted companies continue to provide opportunities for positive total returns over the long term. Any material changes to the Fund’s investment objective and policy will be subject to Unitholder approval.

Investment Strategy

The Manager adheres to a value investment philosophy. In practice, this approach utilises several valuation metrics, recognising that flexibility is required when assessing businesses in different industries and that buyers of these businesses may include other corporates as well as stockmarket investors. As a result of this philosophy, the Fund’s holdings are usually on more attractive valuations than the average for the DNSCI (XIC). While there is good evidence that a value approach within small UK quoted companies results in superior returns over the long term, there can be extended periods when the value style is out of favour.

The Manager selects companies for the portfolio on the basis of fundamental or “bottom-up” analysis. Analysis involves scrutiny of businesses’ financial statements and assessment of their market positions. An important part of the process is regular engagement with board members of prospective and existing investments. Holdings are sold typically when their valuations reach targets determined by the Manager.

The DNSCI (XIC) is the Fund’s chosen benchmark. It is the reference point for defining the investment objective (“Target benchmark”) and evaluating the Fund’s performance (“Comparator benchmark”). Although the Fund’s portfolio is constructed with reference to UK small companies and the DNSCI (XIC), it can be differentiated from the index. The use of the DNSCI (XIC) as a benchmark reflects the emphasis within the portfolio on small UK quoted companies and the desire to achieve the investment objective by investing in companies whose shares represent relatively attractive value within a given stockmarket environment. If the index is not available, the Manager will use another index which it considers is comparable to the DNSCI (XIC).

In order to facilitate the achievement of the investment objective, the Manager believes that the portfolio must be adequately differentiated from the benchmark index. Therefore, within the diversification parameters described in Investment Policy, the Manager regularly reviews the level of differentiation, with the aim of maximising the active share of the portfolio.

The Fund's eligible markets, as defined in the Collective Investment Schemes Sourcebook ("COLL"), are the Official List of the London Stock Exchange plc ("LSE") and the Alternative Investment Market ("AIM") of the LSE. The Fund's base currency is Pounds Sterling.

The capital property of the Fund will consist of transferable securities, as defined in COLL. The Fund will not invest in any immovable property or tangible movable property.

Fund Information

Prices & Yield		1 July 2025 ¹	2 January 2025 ¹
Accumulation Units	Issue Price	£365.34	£345.93
	Cancellation Price	£359.85	£339.93
Income Units	Issue Price	£225.01	£216.92
	Cancellation Price	£221.63	£213.16
	Yield ²	3.4%	3.3%
	Dealing spread	1.5%	1.7%

Charges		30 June 2025	31 December 2024
Initial charge		Nil	Nil
Ongoing charges ³		0.81%	0.81%
Exit charge		Nil	Nil

¹ Prices stated are for the first valuation point after the period end, being the distribution ex-dividend date.

² The Yield reflects distributions declared over the past twelve months as a percentage of the mid-market unit price as at the date shown. Investors may be subject to tax on their distributions.

³ This is based on actual expenses for the period. It covers all aspects of operating the Fund during the period including fees paid for investment management, administration, safeguarding the Fund's assets, audit and to the regulator. It does not include payments to your financial advisor or any other firm through which you may invest. You may pay for their services, if any, directly.

Sources of Further Information

Unitholders can find up-to-date information on the Manager's website at www.aberforth.co.uk. This includes items such as the latest prices, fund statistics including yield, dealing spread and size, as well as information relating to the portfolio, management fee and dividend history. For further information relating to buying and selling units, please see page 22.



Scan the QR code to visit www.aberforth.co.uk.

Performance Summary

	The Fund ¹ (%)	Index ² (%)
6 months to 30 June 2025	5.8	7.0

Net Asset Value (Post Distribution³)

	30 June 2025	31 December 2024
Total Net Assets	£147.8m	£145.2m
Accumulation units in issue	301,574.076	282,828.351
Income units in issue	176,598.165	229,135.000
NAV per unit – accumulation	£360.17	£340.53
NAV per unit – income	£221.83	£213.53

5 Year Rolling Performance

Period	Annualised Returns (%)		Cumulative Returns (%)	
	The Fund ¹	Index ²	The Fund ¹	Index ²
5 years to 30 June 2025	14.3	10.5	95.0	64.8
5 years to 30 June 2024	7.2	4.7	41.5	26.1
5 years to 30 June 2023	1.0	0.8	5.0	4.2
5 years to 30 June 2022	1.3	1.4	6.5	7.4
5 years to 30 June 2021	11.5	10.9	72.3	67.4

Historical Returns

Periods to 30 June 2025	The Fund ¹	Cumulative Returns (%) Index ²
3 years from 30 June 2022	37.5	32.9
5 years from 30 June 2020	95.0	64.8
10 years from 30 June 2015	68.3	72.2
15 years from 30 June 2010	309.4	287.8
Since inception on 20 March 1991	3,696.9	1,965.0

Periods to 30 June 2025	The Fund ¹	Annualised Returns (%) Index ²
3 years from 30 June 2022	11.2	9.9
5 years from 30 June 2020	14.3	10.5
10 years from 30 June 2015	5.3	5.6
15 years from 30 June 2010	9.9	9.5
Since inception on 20 March 1991	11.2	9.2

¹ Represents cancellation price to cancellation price (accumulation units).

² Represents capital appreciation on the DNSCI (XIC) with net dividends reinvested.

³ See Note 2 to the financial statements.

Past performance is not a guide to future performance. Stockmarket movements may cause the capital value of an investment and the income derived from it to go down as well as up and investors may get back less than they originally invested.

Manager's Report

Introduction

This report has been prepared in accordance with the requirements of COLL as issued and amended by the Financial Conduct Authority.

Status

Aberforth UK Small Companies Fund (the "Fund") was constituted by a Trust Deed dated 17 December 1990 and is an authorised unit trust scheme under the Financial Services & Markets Act 2000 (the "Act"). The Fund is a UCITS scheme as defined by COLL.

Independent Auditors

During the period, in line with good practice, the Fund changed its auditors to Johnston Carmichael LLP.

Changes to Prospectus

During the period, the Prospectus was updated:-

1. to update the Fund's auditor from PricewaterhouseCoopers LLP to Johnston Carmichael LLP, including updating the auditor's address to reflect that of Johnston Carmichael LLP;
2. to update the status of the Index as at 1 January 2025; and
3. to update historical performance figures.

Remuneration Policy

The Manager has delegated all investment management activities for the Fund to Aberforth Partners LLP, the investment adviser. The Manager has two independent non-executive directors who are remunerated by way of directors' fees. Partners and staff working on the Fund are remunerated by the investment adviser, not the Manager. As investment adviser, Aberforth Partners LLP is subject to regulatory requirements on remuneration in accordance with FCA Rules. Details of its remuneration policy are available on request and on its website www.aberforth.co.uk.

Investment Review

Over the six months to 30 June 2025, the Fund's total return was +5.8%, which compares with the DNSCI (XIC)'s +7.0%. Larger UK companies were stronger, with the FTSE All-Share generating a total return of +9.1%.

Larger companies started the year very strongly compared with smaller companies. Indeed, the first three months of 2025 were the second worst calendar quarter for the DNSCI (XIC) relative to the FTSE All-Share in Aberforth's 35 year history. However, the gap between the two indices narrowed through the second quarter as the attractive valuations of smaller companies were exposed by further M&A activity.

Investment Background

The positive returns from equities, in the UK and further afield, are remarkable in view of the top-down developments in the first half of 2025. Towards the end of June, war was again making the headlines. The attacks by Israel and the US on Iran's nuclear facilities added to the uncertainty from on-going conflicts in Ukraine and Gaza. The oil price fluctuated accordingly, but the more significant geopolitical drama for markets has been playing out in the US itself.

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Centre stage has been Donald Trump, from the theatre of his Oval Office set-pieces with other world leaders to his much-anticipated tariffs. A series of announcements earlier in the year set the scene, but the “Liberation Day” revelations in April were worse than financial markets had expected. The deeply negative reaction of equity markets underlined the risk of trade wars to economic activity and investment. Much of this original threat has subsequently been diluted or deferred pending negotiations, which allowed markets to rally, but damage has been done. The apparent capriciousness with which tariffs have been imposed and then rescinded undermines confidence to invest. Lower confidence feeds through to lower economic activity over time and it may not be till the autumn that we understand the full ramifications for the US and world economies of those announcements.

If there was a silver lining to the “Liberation Day”, it was to jolt other countries out of their complacent reliance on US leadership. Germany has been the best illustration so far. Its change of government was accompanied by the promise of a significant boost to fiscal spending on defence and infrastructure. The potential significance of this change can be gauged from the relative performance of the German and US stockmarkets: in dollar terms, the Dax outstripped the S&P 500 by 29% in the six months to 30 June 2025.

Tariffs imposed by the US have a limited direct effect on small UK quoted companies. This reflects where these businesses operate. The UK economy accounts for 53% of the revenues generated by companies in the DNSCI (XIC), whereas the US economy accounts for just 11%. Moreover, that exposure to the US is overwhelmingly revenue generated from assets within the US itself, rather than from goods manufactured in the UK and transported across the Atlantic. In meetings with the Fund's investee companies, the Manager identified just a handful of holdings whose businesses could face a direct impact from the tariffs originally set out on “Liberation Day”. In each case, the exposure was manageable. The greater risk for small UK quoted companies is the second order effects of tariffs through the hit to confidence, investment and economic activity. To be clear, virtually all businesses around the world, whether small or large, must contend with this.

The exposure of small UK quoted companies to the UK economy insulates them from the direct effects of tariffs, but it also means that they are more reliant on domestic policy. This was relevant in the first half as sentiment towards smaller companies contended with the fallout from the October 2024 Budget. The changes to employers' national insurance contributions and to the national living wage took effect in April, but companies' profit forecasts and, by extension, stockmarket valuations moved in anticipation as management teams articulated how they would address the incremental cost pressures. The impact is being spread through a combination of cost reductions, price increases and narrower profit margins, with the balance varying by company. While this is unhelpful for businesses operating in the domestic economy, overall trading conditions have not been as bad as the headlines might suggest. Indeed, the retail and leisure companies in which the Fund invests have generally traded well through the first part of the year, with revenues typically growing at low to mid single digit rates. Demand is benefiting from wages that are presently growing above the rate of inflation and from strong household balance sheets, with the saving ratio, excluding the pandemic period, at its highest level for 30 years.

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Analysis of performance and portfolio characteristics

The Fund's total return in the six months to 30 June 2025 was +5.8%. The DNSCI (XIC)'s was +7.0%. The table below is an analysis of the difference between the two numbers. The most important influence on the Fund's return was the total return performance of the companies that make up its portfolio of investments.

For the six months ended 30 June 2025	Basis points
Attributable to the portfolio of investments, based on mid prices (after transaction costs of 10 basis points)	(83)
Movement in mid to bid price spread	21
Cash/other	(24)
Management fee	(37)
Other expenses	(3)
Total attribution based on bid prices	(126)

Note: 100 basis points = 1%. Total Attribution is the difference between the Fund's total return and the Benchmark Index (i.e. the Fund = 5.77%; Benchmark Index = 7.03%; difference is -1.26% being -126 basis points).

The next table sets out a series of characteristics of both the portfolio and the DNSCI (XIC). The paragraphs that follow provide context and explanation for these characteristics and for the Fund's performance in the first half of 2025.

Portfolio characteristics	30 June 2025		30 June 2024	
	The Fund	DNSCI (XIC)	The Fund	DNSCI (XIC)
Number of companies	79	343	77	339
Weighted average market capitalisation	£581m	£1,132m	£624m	£986m
Weighting in "smaller small" companies*	52%	20%	56%	27%
Portfolio turnover over prior 12 months	27%	n/a	22%	n/a
Active share	78%	n/a	73%	n/a
Price earnings (PE) ratio (historical)	10.1x	14.9x	10.2x	13.5x
Dividend yield (historical)	4.0%	3.4%	3.8%	3.4%
Dividend cover (historical)	2.5x	2.0x	2.6x	2.2x

*"Smaller small" companies are members of the DNSCI (XIC) that are not also members of the FTSE 250

Size

Size exposure was an important influence on the Fund's returns in the first half of 2025. There are two aspects to this.

First, small UK quoted companies significantly under-performed larger companies in the six months. The first quarter of 2025 was the second worst calendar quarter for the DNSCI (XIC) against the FTSE All-Share in Aberforth's 35 year history. There were several reasons for the out-performance of larger companies.

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- The DNSCI (XIC) and FTSE All-Share have different geographical exposures. Larger companies are much less reliant than smaller companies on the domestic UK economy. They have therefore been less affected by the negative sentiment associated with last October's Budget.
- The DNSCI (XIC) and FTSE All-Share have different sector exposures. Two sectors – Banks and Aerospace & Defence – accounted for over half of the FTSE All-Share's rise in the first half of 2025. These sectors account for less than 2% of the value of the DNSCI (XIC).
- If the tariff uncertainty has prompted asset allocators to reduce US exposure and increase weightings in other markets, it is plausible that larger companies will have benefited earlier than have smaller companies.

Second, size was a significant influence within the DNSCI (XIC). In the first half of 2025, it was a case of the smaller the company, the poorer the share price performance. The Manager analyses this effect by splitting the portfolio and DNSCI (XIC) into "larger small" companies (those that are also members of the FTSE 250) and "smaller small" companies (everything else). The Fund has a high exposure to the "smaller smalls": at 31 December 2024 it was 56%, against just 21% for the DNSCI (XIC). This weighting differential, combined with the under-performance of "smaller smalls" against "larger smalls" explained all of the Fund's shortfall against the DNSCI (XIC) in the six month period.

The sector and geographical profiles of "smaller small" and "larger small" companies are similar and so cannot explain the divergent performance of the two cohorts. The more important influence was the risk aversion in equity markets leading up to and in the aftermath of the tariff announcements. In these circumstances, investors were reluctant to embrace the greater illiquidity of "smaller smalls", leading to additional pressure on their share prices. As the stockmarket's mood improved through May and June, it is notable that the relative performance of "smaller smalls" picked up.

The reason for the Manager's current preference for "smaller small" over "larger small" companies is twofold. First, there is little fundamental difference between the two cohorts – geographical exposures, sector exposures, balance sheet strength, profit growth, return on equity, etc. Second, there is a significant valuation difference – the 2025 EV/EBITA for "smaller smalls" in the DNSCI (XIC) is 8.9x, which is 20% lower than the 11.1x for the "larger smalls". These attributes matter – notwithstanding the experience so far in 2025, "smaller smalls" have out-performed "larger smalls" over the past five years.

Style

The Manager invests the Fund's assets in accordance with their value investment philosophy. Consequently, the Fund's investment returns are influenced by the stockmarket's preference for more expensively priced growth stocks or more modestly rated value stocks. To understand style effects within the DNSCI (XIC), the Manager uses analysis by London Business School (LBS). This is based on price to book ratios: a high price to book denotes a growth stock and a low price to book a value stock. When selecting stocks for the Fund, the Manager uses a broader range of valuation techniques, but the LBS approach provides a useful indication of the market's style preference. In the first half of 2025, value stocks out-performed growth stocks, which suggests that the Manager's value style was helpful to the Fund's investment performance.

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Balance sheets

The following table sets out the balance sheet profile of the Fund's portfolio and of the Manager's Tracked Universe. This subset of the DNSCI (XIC) represents 98% by value of the index as a whole and is made up of the 230 companies that the Manager follows closely.

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Tracked Universe 2025	30%	43%	21%	6%
Portfolio 2025	32%	50%	12%	5%
- Portfolio "smaller smalls"	34%	47%	13%	5%
- Portfolio "larger smalls"	30%	55%	11%	5%

*Includes loss-makers and lenders

The balance sheet profile of the portfolio and the Tracked Universe are similarly robust. Around one third of each is represented by companies with net cash on their balance sheets. The more highly leveraged companies tend to be those with asset backing, such as pub businesses and property companies. The final two lines of the table show that there is no meaningful difference between the balance sheet profiles of "smaller small" and "larger small" companies. The lower valuations of the former cohort are not justified by weaker balance sheets.

Strong balance sheets are supporting dividend growth, as the next section explains, and a continued high rate of share buy-backs. In the first half of 2025, 21 of the Fund's 79 investee companies bought back shares, taking advantage of the attractive stockmarket valuations of their equity. The economic logic of buy-backs at such valuations is compelling as long as they do not deprive underlying businesses of capital needed for the maintenance of assets and prudent growth.

Income

While the Fund's capital performance through the first half of 2025 was volatile, it made steady progress in income terms. Revenue earned from dividends paid by investee companies rose at double digit rates. The table below categorises the Fund's 79 holdings at 30 June 2025 according to each company's most recent dividend action.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	New/Returner
16	11	19	30	3

The Fund's positive income experience was driven by the 30 Increased Payers and three New / Returners. These out-weighed the drag from the 11 companies that reduced their most recent dividends. Of the 16 Nil Payers, the Manager expects five to resume dividend payments over the next two years.

At 30 June 2025, the average historical dividend yield of the Fund's holdings was 4.0% and the average dividend cover was 2.5x. These numbers, together with the analysis in the table, demonstrate the resilience of smaller companies, a quality that is often overlooked by the stockmarket. Looking ahead, the tariffs and other macro economic challenges will have to be navigated, but history suggests that yield and dividend growth will continue to be an important component of the total returns delivered by both small UK quoted companies and the Fund.

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Corporate activity

The Manager is frequently asked what the catalyst will be for a re-rating of small UK quoted companies. The answer is increasingly clear as the high rate of takeovers continues. In the first half of 2025, agreed bids for eight constituents of the DNSCI (XIC) were announced. The Fund held four of these. In addition, approaches for three companies were outstanding at the period end. The Fund held one of these. In five of the eight bids, the bidder was from overseas, while in two cases the bidder was private equity. Bid premiums remain high: for agreed deals within the DNSCI (XIC) over the twelve months to 30 June 2025, the average premium to the undisturbed share price was 40%, while the average EV/EBITA at the bid price was 16.2x.

As long as valuations across small companies remain so attractive, it is likely that takeovers will continue. There is the opportunity for those invested in the asset class to enjoy good investment returns by harvesting takeover premiums as they await a broader re-rating.

The downside of takeovers could be a shrinking of the Manager's investment universe. However, there are reasons to believe that the opportunity set will remain broad.

- First, last year's changes to the Listing Rules should improve the attractiveness of the UK stockmarket to IPOs over time.
- Second, ten AIM companies have recently moved or announced an intention to move to the Main List. This makes them eligible investments for the Fund. The Manager has already started a holding in one of the ten and are scrutinising others. The relisting trend is influenced by the new Listing Rules, which level the governance playing field between AIM and the Main List, and by the tax changes announced in the October Budget.
- Third, the definition of the DNSCI (XIC) – the bottom 10% by value of the total UK stockmarket – means that there is a natural refreshing of the index on its annual rebalancing. The number of companies in the DNSCI (XIC) has been flat at around 350 for the past decade.

Engagement

Since the Fund's inception in 1991, an integral part of Aberforth's investment process has been engagement with the boards of the investee companies. The approach to engagement is purposeful, discreet and constructive. Its aim is to improve investment outcomes for Aberforth's clients and investors. The Manager may engage on any topic that they perceive to be affecting the valuation of a company. Their ability to engage is improved by the large stakes – up to 25% of issued share capital – that Aberforth's clients can collectively take in investee companies.

As highlighted last year, the high rate of takeover activity means that M&A terms are a frequent topic of engagement. The Manager often seeks to improve terms or, if these are unattractive, to work with the boards of investee companies to discourage takeover interest. The Manager wrote to investee companies in 2024 to reinforce their expectations of boards when they receive a takeover approach.

Another reason for engagement in 2025 stems from the new Listing Rules, which were introduced last year. One of the changes removes the need for a shareholder vote to approve significant transactions. The purpose was to increase the attractiveness of the UK market to IPOs, but the unintended consequence is that boards can more easily embark on transactions that are not in the interests of shareholders. Solutions include a voluntary vote on a potential transaction or timely

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consultation with shareholders before agreement is reached with a counterparty. Without these, the Manager will vote against the board of a company undertaking a transaction that is not in shareholders’ interests.

Active share

Active share is a measure of how different a portfolio is from an index. The higher a portfolio’s active share, the higher its chance of performing differently from the index, for better or worse. The Manager targets an active share ratio of at least 70% for the Fund’s portfolio compared with the DNSCI (XIC). At 30 June 2025, it stood at 78%.

Value roll and portfolio turnover

The main influence on the Fund’s portfolio turnover in any period is usually the stockmarket’s appetite for small UK quoted companies. If prices and valuations are rising, the upsides to the Manager’s target prices are likely to be narrowing. All else being equal, this would encourage the rotation of the Fund’s capital from companies with lower upsides to those with higher upsides. The Manager terms this dynamic the “value roll” and it has played an important role in the Fund’s capital and income returns over the years. It follows that periods of higher portfolio turnover are often associated with strong returns for the Fund.

Portfolio turnover is defined as the lower of purchases and sales divided by the average portfolio value. In the twelve months to 30 June 2025, turnover was 27%, which is below the long term average. The lower rate of value roll is symptomatic of the deep under-valuation of small UK quoted companies – if the stockmarket does not reflect their true value, there is no incentive to reduce the position.

Valuations

Price earnings (PE) ratio:	35 year average	At 31 December 2024	At 30 June 2025
World equities*	15.8x	17.7x	18.0x
FTSE All-Share	15.3x	14.6x	16.2x
Smaller companies**	13.5x	11.9x	12.5x
The Fund’s portfolio	12.0x	9.6x	10.1x

* Source: Bloomberg; Panmure Liberum ** DNSCI (XIC) to 2013 then Tracked Universe

As the table above shows, the Fund’s portfolio continues to benefit from the triple valuation discount that was described in last year’s reports – the Fund’s portfolio PE is below that of smaller companies, which is below that of large UK companies, which is below that of world equities. The meaningful change since the end of 2024 has been the re-rating of large UK companies: the FTSE All-Share’s historical PE has risen from 14.6x to 16.2x, which is still below that of world equities but above its own long term average. The re-rating of large UK companies shows what is possible for smaller companies. From these starting valuations it is plausible that re-rating can contribute to total returns from smaller companies and more particularly from the Fund’s portfolio in coming years.

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The next table turns to forward valuations and uses the Manager's favoured metric, EV/EBITA (enterprise value to earnings before interest, tax and amortisation). Ratios are set out for the portfolio, the Tracked Universe and certain subdivisions of the Tracked Universe. The profits underlying the ratios are based on the Manager's forecasts for each company that they track. The bullet points following the table summarise its main messages.

EV/EBITA	2024	2025	2026
The Fund's portfolio (79 stocks)	8.0x	7.9x	6.7x
Tracked Universe (230 stocks)	11.2x	10.5x	9.3x
- Growth stocks	16.0x	15.1x	13.6x
- Other stocks	10.6x	9.9x	8.7x
- Overseas facing stocks	10.2x	9.8x	8.3x
- Domestic facing stocks	12.0x	11.1x	10.0x
- "Smaller small" stocks	9.3x	8.9x	7.6x
- "Larger small" stocks	11.9x	11.1x	9.9x

- The ratios are lower for 2025 than for 2024. The Manager anticipates modest profit growth in 2025, as lower interest rates and real wage growth still seem likely to offset the increased uncertainty related to trade wars and the Budget.
- The average EV/EBITA multiples of the portfolio are lower than those of the Tracked Universe. This reflects the Manager's value investment style and the influence of the more highly valued growth stocks on the Tracked Universe's multiples.
- The valuation of overseas facing companies (those with more than 60% of revenues outside the UK) is lower than that of domestic facing companies (those with more than 60% of revenues in the UK). For much of the last ten years, the reverse has been the case. Owing to the EU referendum and the pandemic, domestically oriented companies have tended to trade on lower multiples. However, tariff risk, which is more threatening to overseas facing businesses, has narrowed the gap and broadened the opportunity base for the value investor.
- As noted in the section above on size, the "smaller small" companies within the DNSCI (XIC) remain more attractively valued than do the "larger smalls".
- Takeovers over the past twelve months were struck on average on a multiple of 16.2. This compares with the portfolio's 2025 EV/EBITA of 7.9x.

Outlook and conclusion

Six months ago, American exceptionalism was celebrated and gauged by the success of the US stockmarket. Today, the investment outlook has been complicated by Donald Trump's convulsive second presidency and its challenge to some of the assumptions that have long underpinned the financial world. Dollar weakness may well be welcomed by the Trump administration and has been seen before, but the present bout is accompanied by debate about whether the dollar risks losing the exorbitant privilege of reserve currency status. There is also debate about the risk-free nature of US government debt, as fiscal spending looks set to rise under the "One Big Beautiful Bill Act" and as foreign governments, disconcerted by the tariffs, question the wisdom of parking their reserves in treasuries. Even the US stockmarket has lost some of its lustre. The potential impact of the tariffs on the profits of US businesses has seen European equities outshine their US counterparts so far in 2025.

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The uncertainty emanating from the US complicates investment decisions, whether for businesses considering capital projects or fund managers selecting stocks.

The UK is inevitably caught up in this, but its low reliance on exported goods and its trade deficits can be seen as a relative advantage in the context of trade war risk. The greater challenge for the UK economy is government policy and its fiscal position. Last year's Budget highlighted the Chancellor's difficulty in delivering growth while adhering to the fiscal rules. As this year's Budget approaches and as the government struggles to implement its reforms, a degree of caution on the part of businesses and households is understandable. On the other hand, the government's pragmatism and growth ambitions are encouraging, though it would be better to see more of the rhetoric turn into action.

Against this backdrop, UK equities have made headway, with the re-rating of larger companies taking the FTSE All-Share's PE back to its long term average. The valuation anomaly remains smaller companies, whose PE is still well below its long term average. Over time, it would be reasonable to expect some of the renewed interest in the UK to filter down into the DNSCI (XIC) and, indeed, this started to play out through the second quarter of 2025. Nevertheless, the medium term performance of smaller companies against large has been disappointing. Over the three years to 30 June 2025, the DNSCI (XIC) has lagged the FTSE All-Share by -0.7% per annum. This contrasts with longer term out-performance of 1.5% per annum since Aberforth was founded in 1990 and 3.0% per annum over the full history of the DNSCI (XIC) in 1955.

An important aspect of the recent performance of smaller companies is that it is not driven by fundamental factors. Dividend growth is a useful gauge of fundamental progress since there is a long history of data and it cannot diverge meaningfully from profit growth over time. Using the most recent London Business School data, dividend growth for smaller companies has outstripped that of large companies by 1.4% per annum since both 1955 and 1990. Over the past three years, the differential has been higher at 3.2% (9.7% versus 6.5%), which is clearly at odds with the total return data. Indeed, the differential has been higher than average over the last five and ten years as well, which indicates that smaller companies have coped better than many would expect with the familiar challenges of Brexit, the pandemic, the Truss Budget and the inflation spike of 2022.

Judging by the valuations, the stockmarket is uninterested in the resilience and superior growth of smaller companies. Rather, it seems distracted by their relative illiquidity and volatility, but this obsession risks missing the point of investment in the asset class. The small company premium – i.e. the long term out-performance by smaller companies against larger companies – is inextricably tied up with a willingness to take on liquidity and volatility risk. Those able and willing to commit their capital to smaller companies are rewarded over time for taking on that risk.

The Fund is well placed to take advantage of the present situation. Its valuation advantage is even greater than that of smaller companies, as previously demonstrated in this report. Its dividend payments benefit from the superior dividend growth available from the asset class. Its diversified portfolio reduces the volatility risk of an individual small cap stock and spreads it over 79 holdings. None of these points means that the Fund is impervious to today's macro-economic and geopolitical threats, or indeed those to come. They do, however, improve the likelihood of a good investment experience over time, particularly when other companies, overseas investors and private equity are already taking advantage of the valuations on offer among small UK quoted companies.

S G Ford, *Director*
P R Shaw, *Director*
Aberforth Unit Trust Managers Limited

31 July 2025

Long Term Investment Record

Historical Returns

Period	Discrete Annual Returns (%)	
	The Fund ¹	Index ²
1 year to 30 June 2025	5.1	11.1
1 year to 30 June 2024	21.1	14.5
1 year to 30 June 2023	8.0	4.4
1 year to 30 June 2022	-16.9	-17.2
1 year to 30 June 2021	70.8	49.8

Periods to 30 June 2025	Annualised Returns (%)		Cumulative Returns (%)	
	The Fund ¹	Index ²	The Fund ¹	Index ²
2 years from 30 June 2023	12.8	12.8	27.3	27.3
3 years from 30 June 2022	11.2	9.9	37.5	32.9
4 years from 30 June 2021	3.4	2.4	14.2	10.1
5 years from 30 June 2020	14.3	10.5	95.0	64.8
6 years from 30 June 2019	6.8	5.8	48.7	40.1
7 years from 30 June 2018	4.2	4.1	33.6	32.6
8 years from 30 June 2017	4.9	4.5	46.4	42.7
9 years from 30 June 2016	7.8	7.0	96.8	84.3
10 years from 30 June 2015	5.3	5.6	68.3	72.2
15 years from 30 June 2010	9.9	9.5	309.4	287.8
Since inception on 20 March 1991	11.2	9.2	3,696.9	1,965.0

¹ Represents cancellation price to cancellation price (accumulation units).

² Represents capital appreciation on the DNSCI (XIC) with net dividends reinvested.

Past performance is not a guide to future performance.

Distribution Table

For the six months to 30 June 2025

Group 1: Units purchased prior to 1 January 2025

Group 2: Units purchased on or after 1 January 2025

Interim Distribution	Net Income June 2025	Equalisation [†] June 2025	Distribution/ Accumulation June 2025	Distribution/ Accumulation June 2024
Income units (payable 31 August 2025)				
Group 1	407.5709p	–	407.5709p	356.8716p
Group 2	303.8546p	103.7163p	407.5709p	356.8716p
Accumulation units				
Group 1	649.9700p	–	649.9700p	550.9452p
Group 2	484.5694p	165.4006p	649.9700p	550.9452p

[†] When units are bought, the purchase price includes the value of securities and revenue up to the date of purchase. All unitholders receive the same distribution, in pence per unit, however, equalisation applies only to units purchased during the distribution period (Group 2 units). Equalisation is the average amount of income included in the purchase of all Group 2 units and is refunded to holders of these units as a return of capital.

Portfolio Statement

As at 30 June 2025

		30 June 2025		31 December 2024	
		Value	% of	% of	
Holding	Security	£'000	Total Net Assets	the Index ¹	% of Total Net Assets
Software and Computer Services		5,649	3.8	5.3	3.6
1,223,680	MONY Group	2,704	1.8		
2,031,227	NCC Group	2,945	2.0		
Technology Hardware and Equipment		1,638	1.1	1.5	0.7
1,462,210	TT Electronics	1,638	1.1		
Telecommunications Equipment		–	–	0.7	–
Telecommunications Service Providers		344	0.2	0.8	2.2
49,168	Zegona Communications	344	0.2		0.6
Health Care Providers		–	–	0.6	–
Medical Equipment and Services		–	–	0.1	–
Pharmaceuticals and Biotechnology		–	–	2.9	–
Banks		582	0.4	2.6	0.8
157,614	Close Brothers Group	582	0.4		1.8
Finance and Credit Services		3,066	2.1	3.3	1.7
1,791,010	International Personal Finance	3,041	2.1		
1,400	S & U	25	0.0		2.7
Investment Banking and Brokerage Services		14,865	10.2	9.3	9.8
1,657,528	Ashmore Group	2,589	1.8		10.0
108,600	Brooks Macdonald Group	1,852	1.3		
309,614	City of London Investment Group	1,070	0.7		
1,204,764	CMC Markets	3,030	2.1		
3,179,006	Jupiter Fund Management	3,179	2.2		
181,136	Rathbones Group	3,145	2.1		
Life Insurance		3,460	2.3	1.2	3.4
1,017,117	Hansard Global	507	0.3		1.4
2,230,434	Just Group	2,953	2.0		
Non-life Insurance		4,347	2.9	1.5	3.1
560,811	Conduit Holdings	2,106	1.4		1.8
1,518,354	Sabre Insurance Group	2,241	1.5		
Real Estate Investment and Services		2,386	1.6	4.1	1.7
3,524,148	Foxtons Group	2,386	1.6		4.1
Real Estate Investment Trusts		5,317	3.6	7.2	2.8
816,430	Empiric Student Property	839	0.6		6.6
974,300	Helical	2,241	1.5		
531,941	Workspace Group	2,237	1.5		
Automobiles and Parts		1,960	1.3	1.0	3.2
2,943,036	Dowlais Group	1,960	1.3		1.8

Portfolio Statement

As at 30 June 2025

Holding	Security	30 June 2025			31 December 2024	
		Value £'000	% of Total Net Assets	% of the Index ¹	% of Total Net Assets	% of the Index ¹
Consumer Services		961	0.7	0.1	0.8	0.1
1,164,547	RM	961	0.7			
Household Goods and Home Construction		4,760	3.2	1.8	3.1	1.8
1,273,536	Crest Nicholson	2,378	1.6			
980,243	Headlam Group	843	0.6			
388,645	MJ Gleeson	1,539	1.0			
Leisure Goods		881	0.6	0.6	1.0	0.6
1,115,099	Videndum	881	0.6			
Personal Goods		–	–	1.1	–	1.3
Media		7,735	5.2	1.9	6.6	2.6
1,729,750	Centaur Media	554	0.4			
2,778,744	Reach	2,034	1.4			
1,998,800	S4 Capital	507	0.3			
263,546	STV Group	459	0.3			
1,229,604	Wilmington Group	4,181	2.8			
Retailers		8,707	5.9	4.7	4.4	4.5
2,660,024	Card Factory	2,407	1.6			
1,205,916	DFS Furniture	2,020	1.4			
1,286,274	Halfords Group	1,991	1.3			
565,900	Pets at Home Group	1,483	1.0			
2,301,419	Topps Tiles	806	0.6			
Travel and Leisure		12,958	8.8	6.3	7.8	6.6
222,500	Hollywood Bowl	560	0.4			
1,227,816	Hostelworld Group	1,658	1.1			
6,291,081	Marstons	2,617	1.8			
1,028,628	Mitchells & Butlers	2,942	2.0			
3,031,900	Mobico Group	894	0.6			
3,227,910	Rank Group	4,287	2.9			
Beverages		3,046	2.1	0.9	1.9	0.8
1,873,204	C&C Group	3,046	2.1			
Food Producers		6,161	4.1	3.5	3.8	3.2
1,868,265	Bakkavor Group	4,035	2.7			
245,746	Hilton Food Group	2,126	1.4			
Personal Care, Drug and Grocery Stores		444	0.3	0.7	0.3	0.8
295,427	McBride	444	0.3			
Construction and Materials		10,406	7.0	6.7	6.3	6.7
1,343,398	Eurocell	2,143	1.4			
709,900	Forterra	1,399	0.9			
842,402	Galliford Try Holdings	3,534	2.4			
631,081	Ricardo	2,796	1.9			
1,420,225	Severfield	534	0.4			

Portfolio Statement

As at 30 June 2025

		30 June 2025			31 December 2024	
		Value	% of	% of	% of	% of
Holding	Security	£'000	Net Assets	the Index ¹	Net Assets	the Index ¹
Aerospace and Defense		4,853	3.3	1.8	3.8	1.3
77,393	Avon Technologies	1,494	1.0			
1,827,302	Senior	3,359	2.3			
Electronic and Electrical Equipment		6,673	4.5	2.0	5.0	2.4
556,692	Dialight	1,030	0.6			
1,516,909	Morgan Advanced Materials	3,337	2.3			
249,315	XP Power	2,306	1.6			
General Industrials		1,038	0.7	1.3	0.6	1.5
880,004	Macfarlane Group	1,038	0.7			
Industrial Engineering		8,071	5.5	1.4	4.8	1.6
338,520	Bodycote	1,979	1.3			
566,687	Castings	1,558	1.1			
912,668	Vesuvius	3,579	2.4			
776,600	XAAR	955	0.7			
Industrial Support Services		10,829	7.3	9.4	8.0	8.2
2,028,841	De La Rue	2,627	1.8			
469,973	PageGroup	1,253	0.8			
153,140	Paypoint	1,297	0.9			
686,999	Robert Walters	1,254	0.8			
7,975,043	SIG	1,220	0.8			
3,275,822	Smiths News	1,913	1.3			
4,393,603	Speedy Hire	1,265	0.9			
Industrial Transportation		8,433	5.7	2.7	4.7	2.6
1,456,110	FirstGroup	3,355	2.3			
293,815	Fisher (James) & Sons	1,028	0.7			
110,254	VP	653	0.4			
958,347	ZIGUP	3,397	2.3			
Industrial Materials		–	–	0.1	–	0.1
Industrial Metals and Mining		4,158	2.8	2.2	2.5	2.4
1,992,094	Capital	1,697	1.1			
1,842,889	Ecora Resources	1,155	0.8			
402,507	Kenmare Resources	1,306	0.9			
Precious Metals and Mining		96	0.1	1.0	0.1	0.8
1,495,846	Gem Diamonds	96	0.1			
Chemicals		–	–	2.1	–	2.5

Portfolio Statement

As at 30 June 2025

		30 June 2025			31 December 2024	
		Value	% of	% of	% of	% of
Holding	Security	£'000	Total Net Assets	the Index ¹	Total Net Assets	the Index ¹
Oil, Gas and Coal		3,054	2.1	3.3	1.8	3.3
17,042,552	EnQuest	2,161	1.5			
4,377,961	Pharos Energy	893	0.6			
Alternative Energy		–	–	0.1	–	0.2
Electricity		–	–	1.0	–	0.9
Gas, Water and Multi-utilities		–	–	1.2	–	1.1
Waste and Disposal Services		–	–	–	–	0.4
Investments as shown in the balance sheet		146,878	99.4	100.0	100.3	100.0
Net Current Assets/(Liabilities)		914	0.6	–	(0.3)	–
Total Net Assets		147,792	100.0	100.0	100.0	100.0

All investments are in ordinary shares listed on the London Stock Exchange unless otherwise stated.

¹ Reflects the rebalanced index as at 1 January 2025.

Additional Portfolio Information

For the six months ended	30 June 2025 £'000	30 June 2024 £'000
Total Purchases after transaction costs	18,780	17,428
Total Sales after transaction costs	22,601	16,071

Statement of Total Return

For the six months ended 30 June 2025 (*unaudited*)

	30 June 2025		30 June 2024	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		5,019		14,550
Revenue	3,003		2,707	
Expenses	(575)		(568)	
Interest payable and similar charges	(14)		(28)	
Net revenue before taxation	2,414		2,111	
Taxation	–		–	
Net revenue after taxation		2,414		2,111
Total return before distributions		7,433		16,661
Distributions (Note 2)		(2,747)		(2,441)
Change in net assets attributable to unitholders from investment activities		4,686		14,220

Statement of Change in Net Assets attributable to Unitholders

For the six months ended 30 June 2025 (*unaudited*)

	30 June 2025		30 June 2024	
	£'000	£'000	£'000	£'000
Opening net assets		145,239		136,120
Amounts receivable on issue of units	18,228		11,770	
Amounts payable on cancellation of units	(22,321)		(8,601)	
		(4,093)		3,169
Change in net assets attributable to unitholders from investment activities		4,686		14,220
Retained distribution on accumulation units		1,960		1,528
Closing net assets		147,792		155,037

Balance Sheet

As at 30 June 2025 (unaudited)

	30 June 2025 £'000	31 December 2024 £'000
Assets		
Fixed Assets:		
Investments	146,878	145,680
Current Assets:		
Debtors	811	321
Cash and bank balances	1,580	402
Total current assets	2,391	723
Total assets	149,269	146,403
Liabilities		
Creditors:		
Other creditors	(757)	(338)
Distribution payable on income units	(720)	(826)
Total liabilities	(1,477)	(1,164)
Net assets attributable to unitholders	147,792	145,239

Cash Flow Statement

For the six months ended 30 June 2025 (unaudited)

	30 June 2025 £'000	30 June 2024 £'000
Net cash inflow from operating activities	2,349	2,204
Investing activities		
Purchases of investments	(18,341)	(17,020)
Sales of investments	22,130	15,978
Cash inflow/(outflow) from investing activities	3,789	(1,042)
Financing activities		
Amounts received from issue of units	18,322	11,304
Amounts paid on cancellation of units	(22,439)	(8,709)
Distributions paid	(826)	(1,011)
Interest paid and similar charges	(17)	(28)
Cash (outflow)/inflow from financing activities	(4,960)	1,556
Increase in cash and cash equivalents	1,178	2,718
Cash and cash equivalents at the start of the period	402	144
Cash and cash equivalents at the end of the period	1,580	2,862

Notes to the Financial Statements *(unaudited)*

These accounts have been prepared in accordance with the Manager's Statement of Responsibilities which is included in the annual financial statements.

1. Accounting Standards

The accounting and distribution policies applied are consistent with those of the annual financial statements for the year ended 31 December 2024 and are described in those financial statements. The investments of the Fund have been valued at their fair value, which is represented by the bid price at the close of business on the balance sheet date. Suspended securities are initially valued at the suspension price but are subject to constant review by the Fair Value Committee. There were no suspended securities at 30 June 2025.

The interim financial statements have been prepared in accordance with Financial Reporting Standard ("FRS") 104 and the Statement of Recommended Practice for UK Authorised Funds ("SORP") issued by the Investment Association in 2014 and amended in 2017.

2. Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	June 2025 £'000	June 2024 £'000
Interim distribution	2,680	2,507
Income deducted on cancellation of units	121	73
Income received on creation of units	(54)	(139)
Distributions	2,747	2,441

The difference between the net revenue after taxation and the distributions for the period is explained as follows:

	June 2025 £'000	June 2024 £'000
Net revenue after taxation	2,414	2,111
Add: Manager's periodic fee taken to capital	331	328
Add: Safe custody fee taken to capital	2	2
Distributions	2,747	2,441

5/8ths of the Manager's periodic fee is allocated to capital and the remaining 3/8ths is allocated to revenue. A proportion of the safe custody fees which relates to the purchase and sales of securities is taken to capital.

Risk and Reward Profile

The risk and reward profile of the Fund can be illustrated by reference to a standard Risk/Reward category scale, where 1 is lower potential risk/reward and 7 is higher potential risk/reward. The category is chosen based on the volatility of returns over the past 5 years. The current synthetic risk and reward indicator is 6 and was unchanged during the period. Further information can be found in the Key Investor Information Document available on the Manager's website.

Please note that past performance is not a guide to future performance. The risk category is not guaranteed and may move over time. The lowest category does not mean 'risk free'.

The performance of shares in smaller companies may be more volatile than shares in larger companies over short time periods and therefore the realisable value of the units may be more volatile.

In pursuing its investment objective certain risks arise for the Fund in relation to the investment portfolio and cash balances held. All assets and liabilities are denominated in sterling. Therefore no direct currency risk arises.

The main risks arising are from market, liquidity and credit. The Manager has policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these financial statements relate.

Market Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager does not seek to hedge this exposure as it does not consider this to be beneficial to the Fund in the long term.

Liquidity Risk

The Fund's assets comprise mainly of securities that are considered to be readily realisable in accordance with the market practices of the London Stock Exchange. Liquidity may, however, be affected by market events.

The risk of low market liquidity through reduced trading volumes may affect the Fund's ability to trade investments at values previously indicated by brokers.

The main liability of the Fund is the redemption of units that investors wish to sell. In general the cash levels of the Fund are managed to ensure liabilities can be met. Where investments cannot be realised to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. The Fund has an overdraft facility in place with the Custodian, Northern Trust, up to £25m. In addition, in certain circumstances and at the discretion of the Manager, redemptions may be settled by an in specie transfer of assets or deferred redemption in accordance with the Prospectus terms.

Credit Risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The investment transactions of the Fund are generally undertaken on a delivery versus payment basis. In addition, the Manager only buys and sells investments through brokers who are authorised and regulated by the Financial Conduct Authority, who have formally agreed terms of business with the Manager, and who are considered to have execution arrangements that enable

Risk and Reward Profile

the Manager to comply with its obligation to obtain the best possible result for the Fund.

The Manager closely monitors market developments that may impact a broker's creditworthiness, market reputation and expectations of future financial performance. A range of brokers is utilised by the Manager.

Cash balances are placed with a selection of banking institutions. The Manager reviews the banking partners and deposit levels on a periodic basis. The Manager aims to have the Fund fully invested.

Interest Rate Risk

The majority of the Fund's financial assets are equity shares, which typically do not pay interest or have a maturity date. The Fund's exposure to interest rate risk is therefore insignificant.

Management and Administration

Manager

Aberforth Unit Trust Managers Limited*
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Website: www.aberforth.co.uk

Trustee & Depositary

NatWest Trustee & Depositary Services Limited*
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Gogarburn
175 Glasgow Road
Edinburgh EH12 1HQ

Investment Adviser

Aberforth Partners LLP*
14 Melville Street
Edinburgh EH3 7NS

**Authorised and regulated by the Financial Conduct Authority*

Buying and Selling

The terms on which units can be bought and sold are set out in the Prospectus, Key Investor Information Document, Supplementary Information Document and Application Pack, all of which are available on the Manager's website www.aberforth.co.uk. These documents provide up to date terms on which Units are issued and redeemed, how and when money is held in a client money account and related risks.

Units may be bought and sold by telephone using the dealing number shown above. Alternatively, please contact Waystone, the Registrar, using the address above or by email (ordergroup@waystone.com). In addition, orders can be placed electronically via various transaction networks including EMX and Calastone. Valuation of the Fund normally takes place each business day at 4.30 pm (or such other time as the market closes) on a forward pricing basis. Copies of the Prospectus are available, free of charge, from the Manager or online at www.aberforth.co.uk.

Information on Aberforth Unit Trust Managers Limited

The Manager is wholly owned by Aberforth Partners LLP (the "Firm" or "Investment Adviser"). The business was established in 1990 to provide institutional and wholesale investors with a high level of resources focused exclusively on small UK quoted companies. Since then funds under management have grown to £2.1 billion (as at 30 June 2025). Aberforth is wholly owned by six partners - five Investment Partners and an Operations Partner, who is responsible for the firm's administration. The investment team comprises the five Investment Partners and one investment manager and together they manage the Fund's portfolio on a collegiate basis.

Registrar

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Telephone: 0345 608 0940

Custodian

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Auditors

Johnston Carmichael LLP
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Notes

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