

Aberforth Partners LLP

Aberforth Smaller Companies Trust plc
("ASCoT")

AGM Investor Presentation

March 2024



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ABERFORTH PARTNERS

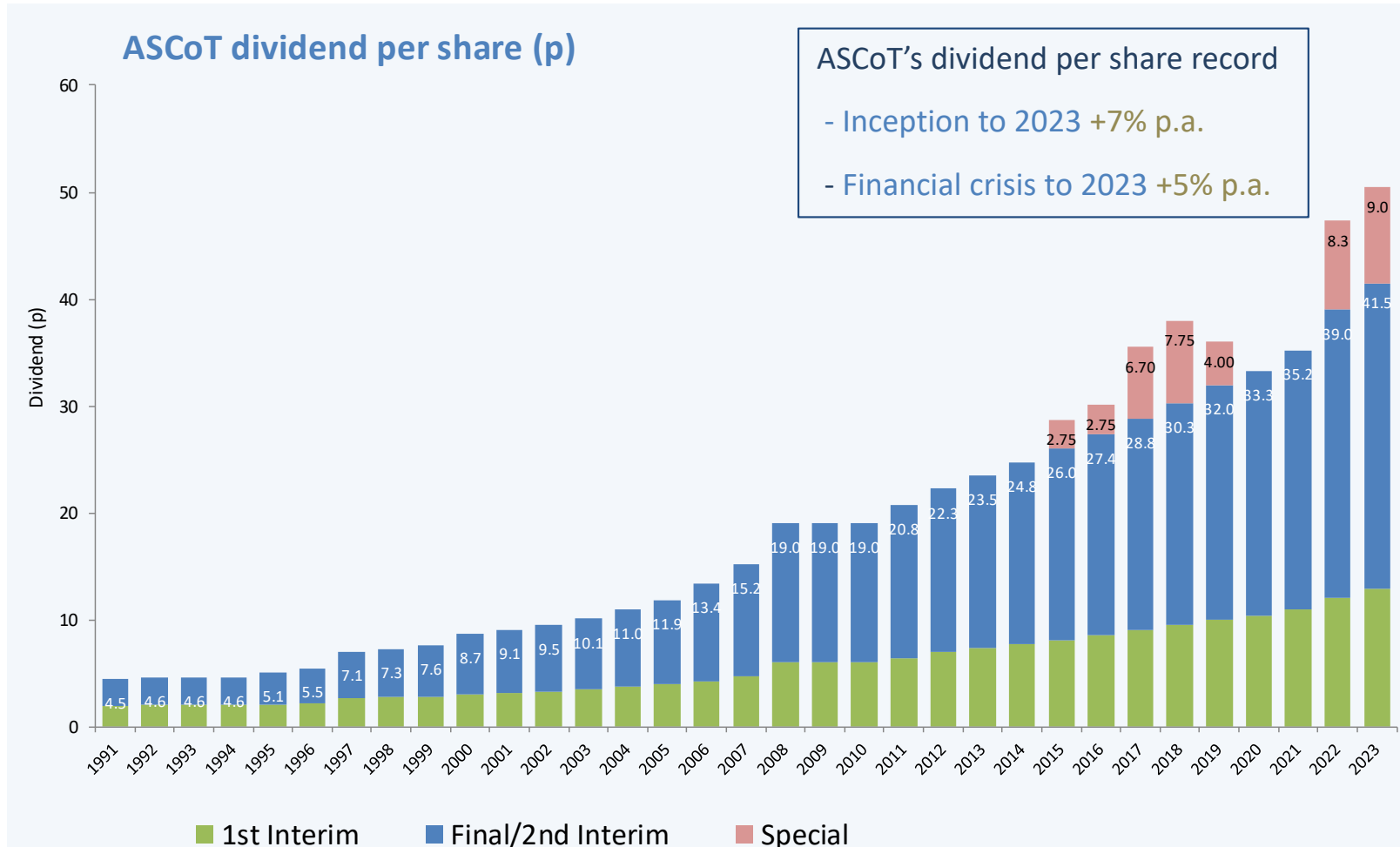
2023 financial highlights



- Net Asset Value Total Return 8.2%
- DNSCI (XIC) Total Return 10.1%
- Ordinary Share Price Total Return 8.0%

- Total dividends of 50.5p
 - Ordinary dividend of 41.5p (+6.4% year-on-year)
 - Special dividend of 9.0p

ASCoT's record of dividend growth



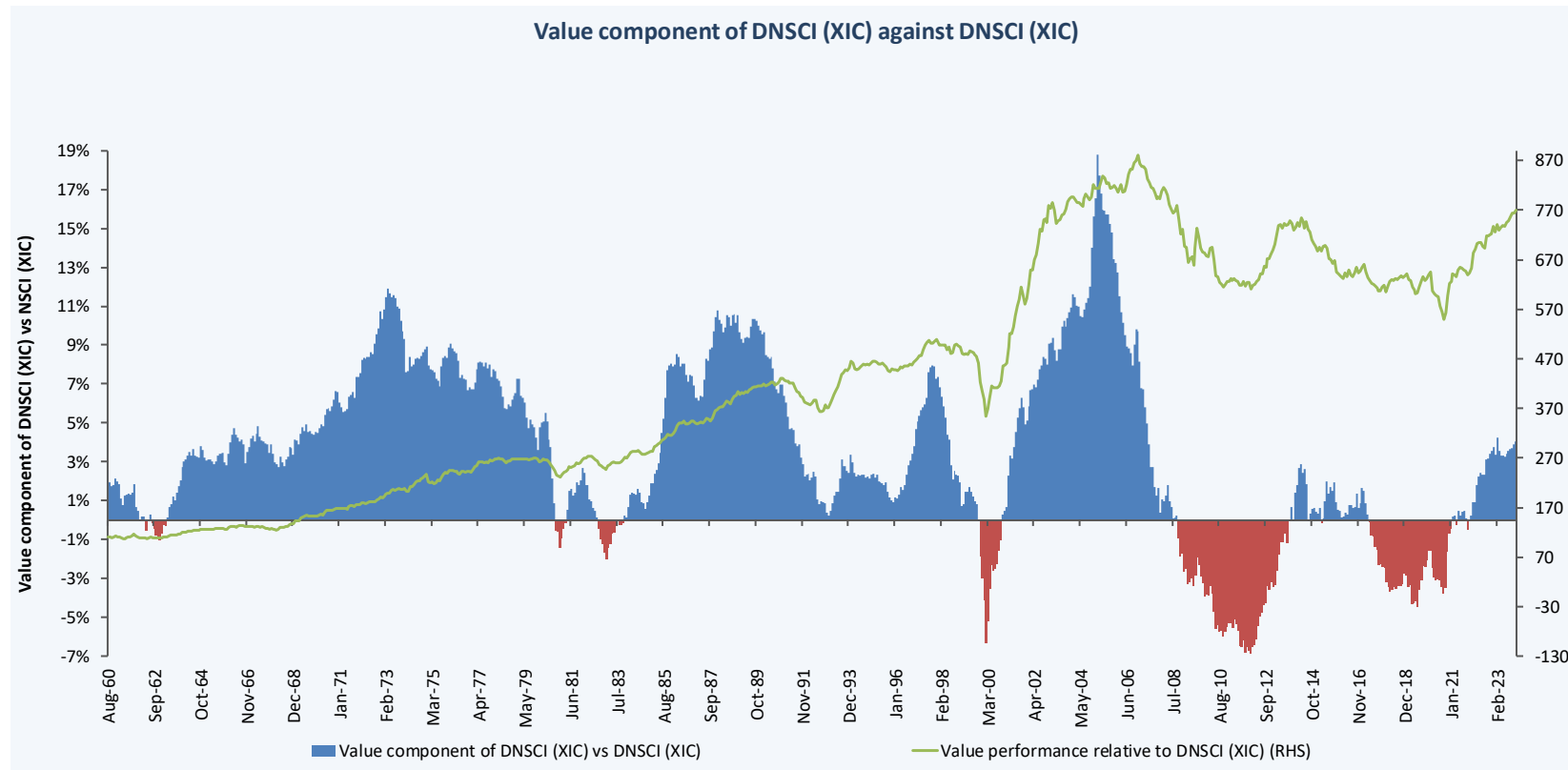
- Income resilience through a challenging period for small companies
- Highest ever revenue return per Ordinary share in the year
- Revenue reserves strengthened to 80.1p, equivalent to c.1.9 years



- A year of recovery for global stockmarkets after a challenging 2022
 - Weaker economic activity in most developed economies
 - As expected, profits are under cyclical pressure
 - UK economy in the middle of the pack, but sentiment remains weak
 - Latterly, markets enthused by lower inflation and prospect of lower interest rates

- The portfolio participated but under-performed the benchmark
 - The market's year end bounce was led by growth and mid cap stocks
 - The portfolio is benefiting from continued M&A and a supportive value style
 - Valuations at unusually attractive levels

Value was a relative tailwind in 2023



- The long term DNSCI (XIC) value premium
 - Index's inception: +3.3% p.a.
 - ASCoT's inception: +2.0% p.a.
- The Zero Interest Rate Policy “ZIRP” equilibrium since the financial crisis is being questioned
- The value premium is reasserting itself

Another busy year for M&A

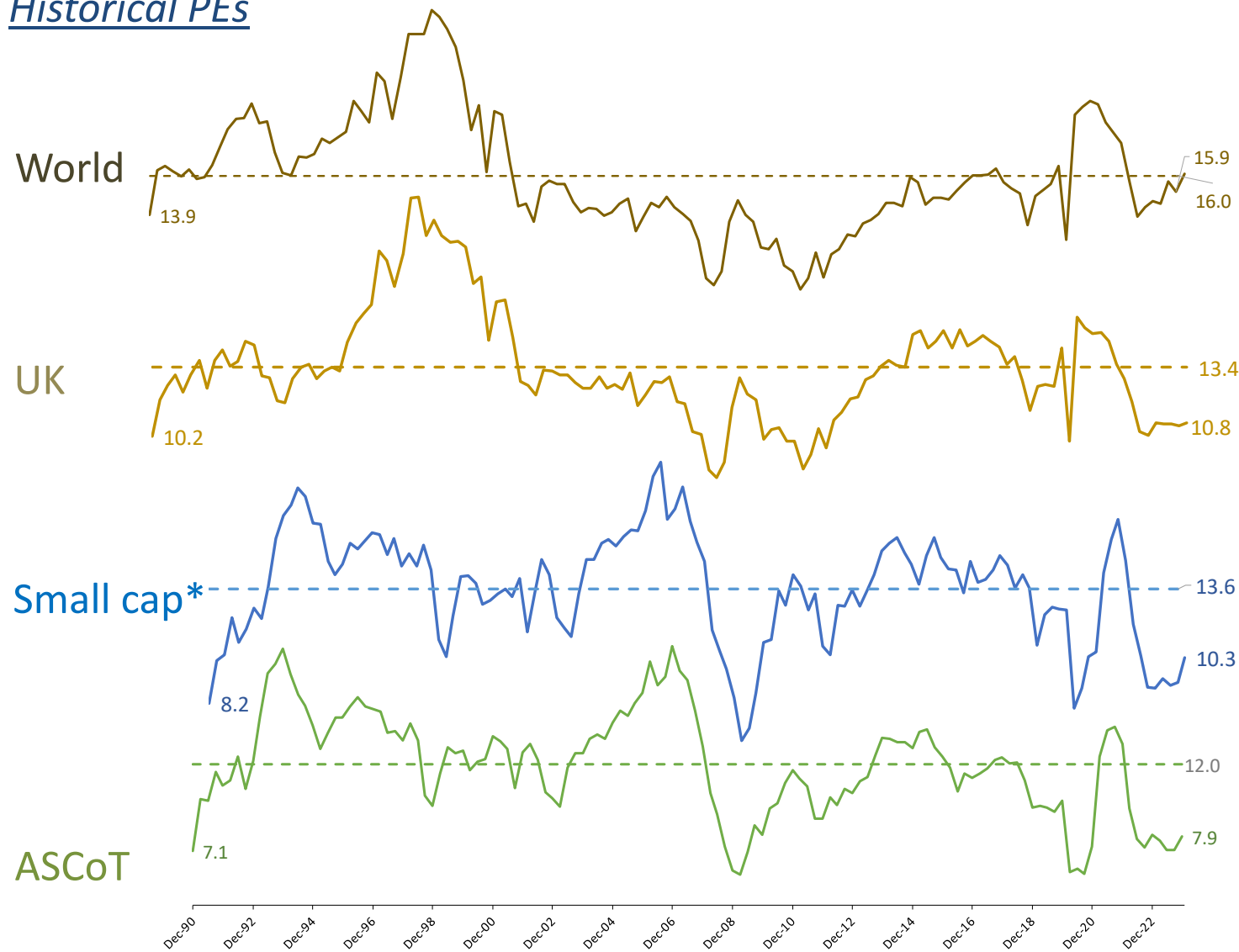


- Acquirers have been tempted by low valuations, despite higher interest rates
- 5 of the portfolio's holdings received takeover bids during the year
 - Given low stockmarket valuations, Aberforth does not support all approaches

The opportunity – a quadruple discount



Historical PEs



Quadruple discount:

1. The UK vs. RoW

33Y average 0.84
Today 0.68

2. Small caps vs. UK

33Y average 1.02
Today 0.96

3. Value vs. Small caps

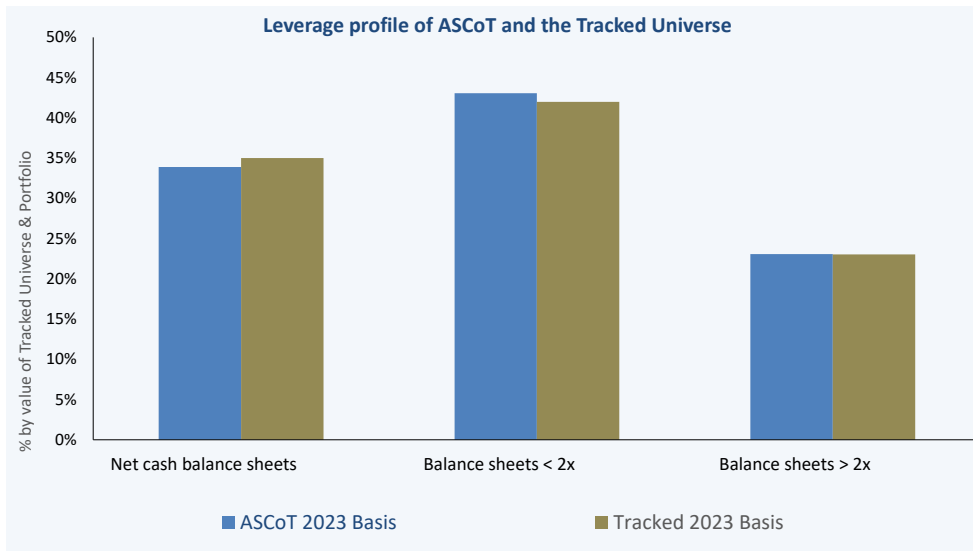
33Y average 0.88
Today 0.77

4. Trust discount

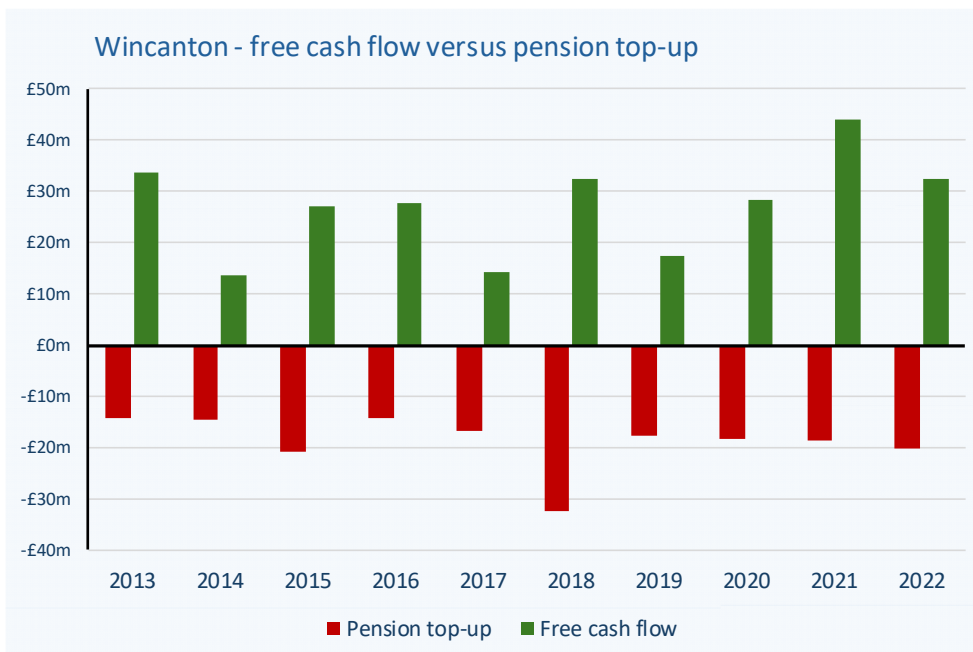
10.3% discount to NAV

*London Business School series till 2013, then Tracked Universe

Balance sheet and free cash flow resilience



- Strong balance sheets among small companies
- Higher leverage among pub companies, lenders and real estate



- 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



- Portfolio – well positioned
 - Balance sheets are unusually strong and valuations are attractive
 - The stockmarket has begun to look through reports of weak trading
 - Plentiful opportunities for the value investor, particularly in the UK
- ASCoT – advantages of its closed end structure and ability to gear
 - Tactical gearing remains in place
 - The Board retains its ambition of real dividend growth
- Overall – a differentiated proposition
 - Our outlook is for positive absolute returns over the next 3 years

Top 20 holdings



| Rank | Company | Activity | Total portfolio (%) |
|--|--------------------------------|---|---------------------|
| 1 | Wilmington | Business publishing & training | 2.8 |
| 2 | Wincanton | Logistics | 2.7 |
| 3 | Morgan Advanced Materials | Manufacture of carbon & ceramic materials | 2.6 |
| 4 | FirstGroup | Bus & rail operator | 2.5 |
| 5 | Vesuvius | Metal flow engineering | 2.5 |
| 6 | Redde Northgate | Van rental | 2.4 |
| 7 | Just Group | Individually underwritten annuities | 2.2 |
| 8 | TI Fluid Systems | Automotive parts manufacturer | 2.2 |
| 9 | International Personal Finance | Home credit provider | 2.2 |
| 10 | Centamin | Gold miner | 2.1 |
| 11 | Videndum | Photographic & broadcast accessories | 2.1 |
| 12 | Mitchells & Butlers | Operator of restaurants, pubs & bars | 2.1 |
| 13 | Senior | Aerospace & automotive engineering | 1.9 |
| 14 | Card Factory | Retailing - greetings cards | 1.9 |
| 15 | Robert Walters | Recruitment | 1.9 |
| 16 | C&C Group | Brewer and drinks distributor | 1.8 |
| 17 | Conduit Holdings | Bermuda based (re)insurer | 1.8 |
| 18 | SIG | Specialist building products distributor | 1.8 |
| 19 | Avon Protection | Military protection products | 1.7 |
| 20 | Close Brothers Group | Bank, stockbroker & private client fund manager | 1.7 |
| Top 20 | | | 42.9 |
| 21 - 30 | | | 15.7 |
| 31 - 78 | | | 41.4 |
| Actively managed portfolio with an active share of 75% | | | 100.0 |



Appendix



- A consistent investment approach deployed by a well resourced team
 - Small UK quoted companies with a value investment philosophy
 - Fundamental analysis backed up by stewardship and engagement

- Prioritising our existing clients

- Ceiling on the business: 1.5% of the DNSCI (XIC)'s market cap

| | |
|--|---------|
| – Aberforth Smaller Companies Trust (ASCoT) | £1,370m |
| – Aberforth Split Level Income Trust (ASLIT) | £215m |
| – Aberforth UK Small Companies Fund (AFUND) | £138m |
| – Charity | £279m |

Bias towards closed end funds

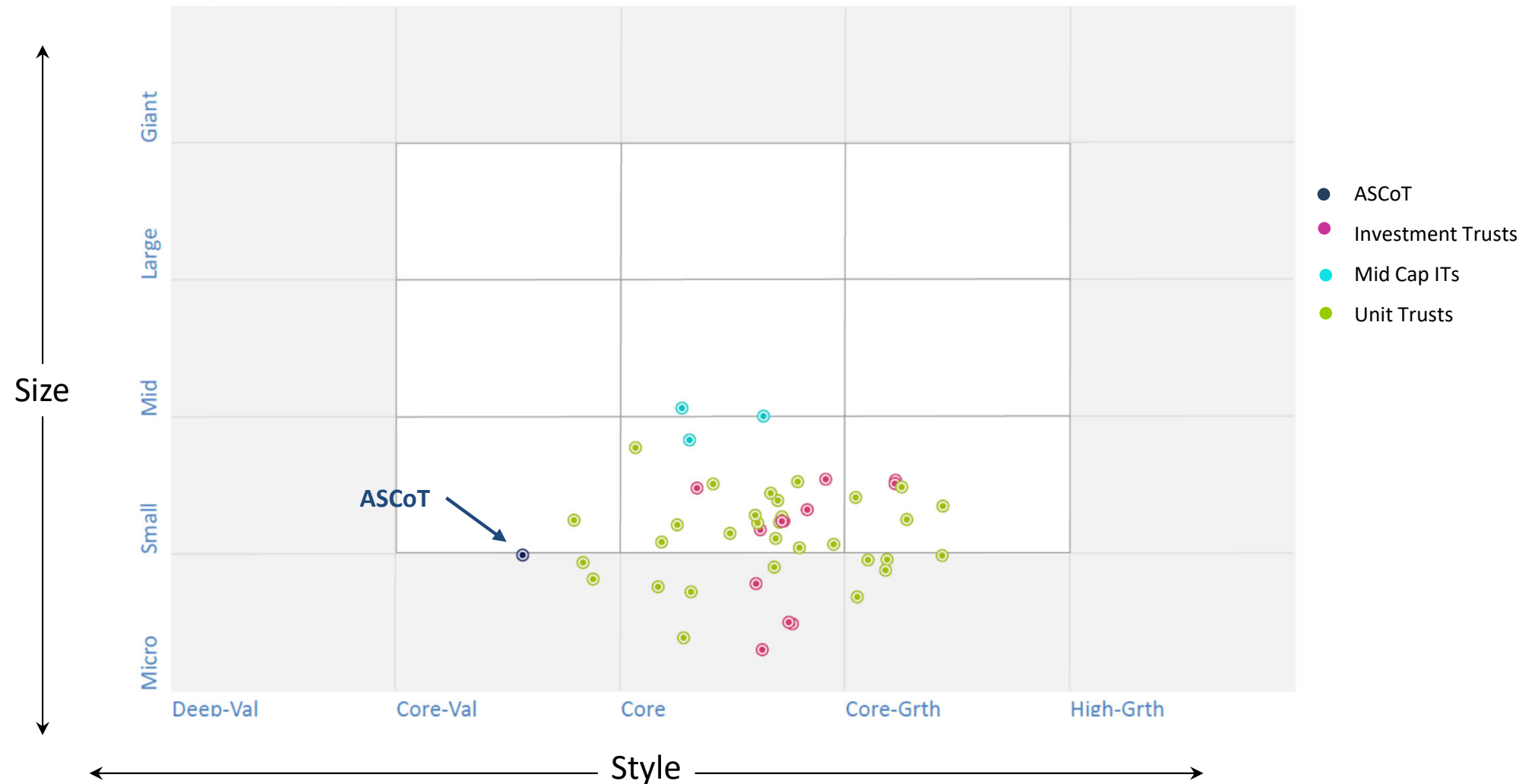
- A differentiated and relevant investment strategy

ASCoT is differentiated by its value style



- The pricing basis of financial markets has changed as interest rates rise
 - But style positioning among peers has changed little

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





- Integrated in the investment process, supported by a bespoke database module
- Our framework analyses company specific risks and opportunities against a sector determined risk score
 - **Environmental:** Climate change, pressure on natural resources, pollution and waste
 - **Social:** Employee culture, health and safety, stakeholders, product liability and consumer protection
 - **Governance:** Board composition and succession, effectiveness, remuneration and alignment, capital allocation, ethics
- Stewardship through effective and meaningful engagement
- Value remains at the core of our process
 - No exclusions unless directed by the client
 - We see improved ESG performance as a means of value creation
 - Sustainability of profits and a catalyst for re-rating
- Aberforth is a signatory of the FRC Stewardship Code 2020 and the PRI

Glossary – Aberforth Funds



- **Aberforth's investment philosophy and putting it into practice is explained further at www.aberforth.co.uk/about-Aberforth/**
- **Aberforth Standard Value** refers to The Aberforth Smaller Companies Trust plc, Aberforth's longest standing client.
- **Accumulation Units:** units not receiving a cash payment representing income; rather, income will be included in the value of the units.
- **Active Share** is calculated by summing the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all the stocks in the portfolio or index. The total is then divided by two to give a ratio between 0% and 100%.
- **AGM:** An annual general meeting (AGM) is a mandatory annual assembly of a company's executives, directors, and interested shareholders
- **AUM:** Assets Under Management.
- **CAGR:** Compound Annual Growth Rate is the annualised rate of growth over the specified time period.
- **Cancellation** refers to the cancellation of units by the Trustee.
- **Discount** is the amount by which the stockmarket price is lower than the Net Asset Value, or NAV, per Ordinary Share. The discount is normally expressed as a percentage of the NAV per Ordinary Share. The opposite of a discount is a premium.
- **DPS:** Dividend Per Share.
- **ESG:** Environmental, Social and Governance.
- **EV/EBITA:** Enterprise Value divided by Earnings Before Interest, Tax and Amortisation.
- **EV/EBITDA:** Enterprise Value divided by Earnings Before Interest, Tax, Depreciation and Amortisation.
- **Funds:** **ASCoT** – The Aberforth Smaller Companies Trust plc; **ASLIT** – Aberforth Split Level Income Trust plc; **AFUND** – Aberforth UK Small Companies Fund.
- **Gearing** is the use of debt to increase capital.
- **Issue** refers to the issue of units by the Trustee.
- **Hurdle rate** is the rate of capital growth per annum to return a stated amount per share at the planned winding-up date.
- **Income Units** entitle the holder to a cash distribution representing the net income attributable to that unit at each income allocation date.
- **IPO:** Initial Public Offering.
- **Leverage** is a measurement of the use of debt.
- **M&A:** Mergers and Acquisitions.
- **Net Asset Value (ZDP Share)** is the value of the entitlement to the ZDP Shareholders.
- **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.

Glossary – Aberforth Funds



- **NSCI (XIC):** The Numis Smaller Companies Index (excluding Investment Companies).
- **PE:** The price-earnings ratio (P/E ratio).
- **Redemption Yield (Ordinary Share)** is the annualised rate at which projected future income and capital cash flows (based on assumed future capital/dividend growth rates) is discounted to produce an amount equal to the share price at the date of calculation.
- **Redemption Yield (ZDP Share)** is the annualised rate at which the total discounted value of the planned future payment of capital equates to its share price at the date of calculation.
- **Retained Revenue:** the accumulated income that has not been distributed.
- **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.
- **Share buy backs:** A share buyback, also known as a share repurchase, is when a company buys its own outstanding shares to reduce the number of shares available on the open market.
- **Terminal NAV (Ordinary Share)** is the projected NAV per Ordinary Share at the planned winding-up date at a stated rate of capital growth in the company's investment portfolio after taking into account the final capital entitlement of the ZDP Shares, future estimated costs charged to capital and estimated winding-up costs.
- **Tracked Universe** refers to those constituents of the NSCI (XIC) that Aberforth follows closely and whose financial characteristics are aggregated on internal systems.
- **Total return:** capital appreciation plus reinvested dividends.
- **Turnover** is calculated by summing the lesser of purchases and sales and dividing by the average portfolio value.
- **Unit:** an equal portion representing part ownership of a unit trust fund.
- **Value style:** the strategy by which all Aberforth's portfolios are invested.
- **Value Premium:** the relative out/(under) performance of the value investment style.
- **ZDP:** Zero Dividend Preference shares are a share class that receive no dividends. Instead, holders receive a fixed capital payment on the redemption date.
- **ZIRP:** A zero interest rate policy (ZIRP) is when a central bank sets its target short-term interest rate at or close to 0%



Important information

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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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- Capital may be at risk as the value of investments may go down as well as up and is not guaranteed; therefore investors may not get back the amount originally invested.
- Past performance is not a guide to future performance, nor a reliable indicator of future results or performance.
- Investments in shares of smaller companies are generally considered to carry a higher degree of risk as the market for their shares is often less liquid than that for shares of larger companies, making shares of smaller companies more difficult to buy and sell. Smaller companies can also be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.
- The performance of shares of smaller companies may be more volatile than the shares of larger companies over short time periods; therefore investors should regard such investments as long term.
- Unless the performance of an investment meets or exceeds the rate of inflation, the real value of that investment will reduce.
- Changes in economic or political conditions or other factors can substantially and potentially adversely affect the value of investments and, accordingly, the performance and prospects of the funds managed by Aberforth Partners LLP.
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- An investment trust is a closed-ended company and its shareholders will have no right to have their shares redeemed or repurchased by the company at any time. Accordingly, the ability of shareholders to realise any value in respect of their shares will be dependent on the existence of a liquid market in the shares and the market price of the shares. The shares may trade at a discount to their net asset value.

Risk warnings



- An investment trust may only pay dividends to the extent that it has distributable profits available for that purpose. A reduction in the income from an investment trust's portfolio could adversely affect the yield, if any, on its shares.
- Investment trusts may borrow money in order to make further investments. This is known as “gearing”. The effect of gearing can enhance returns to shareholders in rising markets but will have the opposite effect on returns in falling markets.
- Tax legislation and the levels of relief from taxation can change at any time. Any change in the tax status of the Fund or in tax legislation could affect the value of the investments held by the Fund or affect its ability to provide returns to its investors. The tax treatment of an investment, and any dividends received, will depend on the individual circumstances of the investor and may be subject to change in the future. If investors are in any doubt as to their tax position, they should consult their professional adviser.
- An investment in the Fund is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from such an investment (which may be equal to the whole amount invested). Such an investment should be regarded as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.