Aberforth UK Small Companies Fund

Interim Report
30 June 2013

Investment Objective & Policy

The objective of Aberforth UK Small Companies Fund (the Fund) is to achieve a total return (with income reinvested) greater than on the Numis Smaller Companies Index (excluding Investment Companies) over the long term by investing in a diversified portfolio of small UK quoted companies.

Fund Information

Prices & Yield		01.07.13[1]	02.01.13[1]
Accumulation Units	Issue Price	**£148.14**	£129.44
	Cancellation Price	**£145.22**	£126.70
Income Units	Issue Price	**£126.96**	£112.64
	Cancellation Price	**£124.46**	£110.25
	Yield	**2.7%**	3.0%

Charges	01.07.13	02.01.13
Initial charge	**Nil**	Nil
Dealing spread	**2.0%**	2.1%
Ongoing charges	**0.85%**	0.85%
Exit charge	**Nil**	Nil

[1] Prices stated are for the first valuation point being the distribution xd date.

Performance Summary

Return	The Fund[1] (%)	Index[2] (%)
6 months to 30 June 2013	**15.8**	**13.2**

Net Asset Value (Post Distribution)

	30.06.13	31.12.12
Total Net Assets	**£85.5m**	£151.3m
Accumulation units in issue	**461,699.430**	1,166,048.466
Income units in issue	**151,676.794**	52,118.400
NAV per unit – accumulation	**£144.53**	£124.92
NAV per unit – income	**£123.87**	£108.71

Historic Returns

Period	Discrete Annual Returns (%) The Fund[1]	Index[2]
1 year to 30 June 2013	33.3	31.8
1 year to 30 June 2012	–7.8	–4.1
1 year to 30 June 2011	33.5	34.2
1 year to 30 June 2010	18.0	28.0
1 year to 30 June 2009	–13.9	–12.4

Periods to 30 June 2013	Cumulative Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2010	64.2	69.7
5 years from 30 June 2008	66.8	90.3
10 years from 30 June 2003	216.3	254.5
15 years from 30 June 1998	416.3	265.3
Since inception on 20 March 1991	1,422.8	803.6

Periods to 30 June 2013	Annualised Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2010	18.0	19.3
5 years from 30 June 2008	10.8	13.7
10 years from 30 June 2003	12.2	13.5
15 years from 30 June 1998	11.6	9.0
Since inception on 20 March 1991	13.0	10.4

1 Represents cancellation price to cancellation price.

2 Represents capital appreciation on the Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)) with dividends reinvested (prior to 1 January 1997 in its "Extended" version). This index comprises the bottom 10% of all UK quoted companies by market value which at 1 January 2013 consisted of 389 companies, the largest market capitalisation of which was £1.428 billion and the aggregate market capitalisation of which was £141 billion.

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

The strong performance of equity markets in 2012 was sustained in the first half of 2013. In May the FTSE All-Share exceeded its 2007 peak in capital only terms. It subsequently retreated but nevertheless achieved a total return 8.5% over the six month period. However, this performance was outstripped by that of small companies, reflected by the NSCI (XIC)'s total return of 13.2%. With a total return of 15.8%, the Fund performed relatively well.

Equities started their recent ascent in July 2012, following the weak returns of the second quarter of that year. It is tempting to identify the turning point as Mario Draghi's speech in July 2012 in which he claimed that the European Central Bank would do "whatever it takes" to sustain the euro. This was followed by the Eurozone's adoption of additional stimulus in the form of "outright monetary transactions". These developments allowed financial markets to shift their focus from the apparent threat of imminent implosion of the Eurozone and to lengthen investment horizons. New life was thus breathed into a range of riskier financial assets, equities included.

As the ensuing bull market extended to a year and was unpunctuated by periodic lurches into pessimism, challenges arose to the "risk-on, risk-off" paradigm, which has usefully but tediously described the behaviour of financial markets since the global financial crisis. The search was on for catchy new terms to rationalise what was going on. Two plausible candidates were "yieldfall" and the "great rotation".

"Yieldfall" essentially takes the implications of quantitative easing to the next stage. QE has benefited government bond markets, driving yields down to very low levels, but investors still crave income. Money has thus moved on to target higher yielding financial assets such as equities. The initial beneficiaries in this next stage have been large blue chip companies with low volatility and above average yields, which is to say the most bond-like of equities. However, it is plausible that members of the Fund's portfolio and investment universe have at the margin benefited from this phenomenon in recent months. The problem with "yieldfall" is that it is a finite process, unless unconventional monetary measures succeed in their original goal – the stimulus of the real economy.

This is where the "great rotation" comes in. The concept here is that economic growth and/or inflation pick up to challenge the very low yields offered by bonds and to encourage a rotation from bonds into equities. This scenario can be seen as a return to normality: the "reverse yield gap" is re-established with bond yields moving above equity yields, which was the norm from the late 1950s until the global financial crisis. While the logic for such a rotation occurring at some point is sound, evidence to date is limited. Inflows into equities have tended to be funded by cash, while bond funds enjoyed further inflows through the first half. Meanwhile, economic developments, which are considered in the Outlook section of this report, are encouraging but not yet convincing.

Of course, while the "great rotation" offers a relatively attractive vision for equities, getting there can be a fraught process. History suggests that equities rarely escape unscathed in the short term when bond yields begin to move up. This is the best explanation for the weakness in equities towards the end of the period: commentary from Federal Reserve officials in the US heralded a quicker than expected reduction in, or "tapering" of, QE. But if this happens in response to more robust economic activity, it will ultimately prove a nice problem to have!

Manager's Report

Investment Performance

The Fund's total return was 15.8% in the first half of 2013. The total return of the benchmark, the NSCI (XIC), was 13.2%. The table below displays factors contributing to the Fund's relative performance.

For the six months ended 30 June 2013	Basis points
Stock selection	289
Sector selection	(60)
Attributable to the portfolio of investments, based on mid prices	229
Movement in mid to bid price spread	51
Cash/overdraft	29
Management fee	(46)
Other expenses	(3)
Total attribution based on bid prices	**260**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = 15.76%; Benchmark Index = 13.16%; difference is 2.60% being 260 basis points).

The positive attribution at the portfolio level was driven by Stock selection, which is in contrast to the outcome in 2012. It is worth restating that, irrespective of the result of the attribution calculation, the Manager's investment process is "bottom-up": the portfolio profile is determined by decisions on individual companies. The following paragraphs describe some of the themes that characterise the portfolio and that have influenced performance over the last six months.

Investment Style

The Manager uses Style Research's model (an independent performance analysis firm) to identify and quantify short term style trends. In the first half of 2013, this analysis suggests that growth companies out-performed value companies and that, within the confines of the NSCI (XIC), larger companies outstripped smaller companies. Therefore, the influences of style and size represented headwinds to the Fund's performance, given the Manager's commitment to its value investment principles and the preponderance of attractive valuations on offer among the smaller constituents of the NSCI (XIC). However, looking beyond the output of Style Research's model, the Manager believes that style influences have been less pronounced over the past twelve months than in the aftermath of the global financial crisis. In a trend no doubt related to the strong performance of equities against bonds since the middle of 2012, the stockmarket has become less fixated with a small grouping of secular growth stocks and has embraced a wider range of businesses. The Fund's performance has been helped by this levelling of the playing field.

Sectors

The stockmarket can risk focusing too much on demand, whether at the macro level in the form of GDP growth or at the company level in terms of top line growth. The downside of such an obsession is clearly illustrated by the divergent share price performance of two sectors of the NSCI (XIC) since the start of 2012. The commodities sectors (Oil & Gas, Mining, and Industrial Metals & Mining) have fallen, in aggregate, by 27%, whereas predominantly domestic sectors (Consumer Services and Consumer Goods) have risen by

75%. A meaningful portion of that gap in relative performance can be explained by the supply side.

Commodities companies have enjoyed a decade of fantastic trading conditions, supported by the Chinese growth story. It has been easy even for small commodities businesses with no existing cash flows to raise capital in order to search for and then exploit a particular resource. Many of these investments are expected to come to fruition over the next few years, which will represent an increase in supply of commodities. This will take place against a background of lower Chinese demand growth than was expected at the outset. With supply and demand mismatched, economic theory dictates that price takes the strain, which is perhaps reflected in recent declines in commodity prices and, by extension, the share prices of commodity companies. The Fund has a relatively low exposure to commodities, which has assisted recent relative performance.

In contrast, under the cloud of austerity, domestically oriented companies have endured testing trading conditions since the global financial crisis. However, management teams have not sat idly by but have responded to sluggish demand conditions by addressing costs and capacity. Constraints to supply have been exacerbated by the failure of numerous businesses, most obviously some formerly big high street names. The survivors have become stronger and have even enjoyed some sales growth as they have won market share from the weaker players. The Fund has benefited from such trends, particularly through its exposure to housebuilders and retailers.

Results

Within the NSCI (XIC), the Manager tracks closely 281 companies, which, by value account for 97% of the index. Of these companies, 130 had December year ends and reported results in the first quarter of 2013. An analysis of these results points to a period of uninspiring trading in 2012: sales rose by 1% and EBITA (earnings before interest, tax and amortisation), with cost controls mitigating the effects of inflation, fell by 1%. Sluggish trading conditions have persisted into the current year: many company management teams are signalling a slow start to 2013 and are expecting a pick-up in the second half. Given share price performances over the first half, it would seem that the stockmarket is willing to give them the benefit of the doubt.

In cash flow terms, the analysis of the results season hints at a greater willingness on the part of company boards to utilise their cash resources. The ratio of capex to depreciation of the 130 companies was 1.7x in 2012. This was flattered by the huge investment programmes of 19 commodities companies, but was nevertheless 1.1x for the other 111 companies, which suggests that modest investment for growth is underway. There are also more indications that, if opportunities to invest and grow profitably are lacking, company boards are prepared to return cash to shareholders in the form of special dividends or share buy-backs.

Strong Balance Sheets

Despite such indications, the portfolio remains skewed to companies with strong balance sheets. Companies expected to have net cash at the end of 2013 accounted for 40% of the portfolio at the end of June. The equivalent number for the tracked universe is 33%. The Manager would prefer to see these numbers come down. This is not an appeal to return to the reckless funding structures of the period immediately preceding the global financial crisis. Rather, it is a balanced judgement that reflects still uncertain trading conditions, the likelihood of continued strong cash generation that will increase cash piles, the very low level of return earned by cash in today's interest rate climate, and the plentiful opportunities available to the Manager within the NSCI (XIC).

Corporate activity

The missing piece of the equity rally has been M&A. In the first half of 2013, only three deals were completed, none of which was a member of the Fund's portfolio. The Manager struggles to recall a quieter start to the year, despite attractive valuations, the strong balance sheets enjoyed by companies on a global basis, and the relative weakness of sterling, which might have tempted North American buyers. The explanation probably lies in jittery confidence on the part of company boards. An upturn is inevitable – perhaps some encouragement can be taken from a recent increase in deals in the US.

While M&A has been largely absent, there has been an upsurge in IPO activity on the main market. Five listings were completed in the first half of 2013. The Fund held one of these at 30 June. The Manager tends to eschew IPOs, concerned about the knowledge advantage of the vendors. However, in the early stages of an IPO market, it may be possible to secure better valuations since the vendors and their bankers need to price deals more keenly. It is also helpful that the Manager was already familiar with the businesses: several of the current crop of IPOs are businesses that private equity had bought from the stockmarket in the heady days before the global financial crisis.

Dividends

The portfolio's dividend experience remained positive through the first half of 2013. Four years into the recovery from 2009, the worst year on record for small company dividends, it is inevitable that the rate of dividend growth across the investment universe should moderate. Nevertheless, as the table below demonstrates, the majority of investee companies continue to increase dividend payments.

Band	Nil	Down	Flat	Up	Other
No. of holdings	20	10	12	54	2

The impact from the cutters on the Fund's income expectation was limited since in most cases the dividend reduction had been anticipated. The Manager believes that most of the companies classified in the "Nil" category are capable of moving to the dividend register over the course of the next two years. The "Other" category contains dividend paying companies with no direct comparison, such as the IPO mentioned previously.

Given the traditional prejudice that small companies are all about capital growth, their income credentials are frequently overlooked. However, the long term data argue that the heavy lifting behind small companies' superior total returns is done by yield and dividend growth. The traditional prejudice is reinforced by headline income data for the NSCI (XIC), which shows a historic yield of 2.5%, which is 28% lower than the FTSE All-Share's 3.5%. But comparison is not straightforward. Of the 383 companies in the NSCI (XIC), 106 are zero yielders. Adjusting for these, the yield of the yielders rises to 3.1%. The dividend cover of these yielders is 2.2x, somewhat higher than the FTSE All-Share's 2.0x. Moreover, small companies continue to offer a better spread of income than the heavily concentrated large cap universe. The Fund's portfolio, whose yield and cover were 2.9% and 3.0x at the end of June, demonstrates that through active management the small company universe is fertile territory for income.

Manager's Report

Valuations

Characteristics	30 June 2013 The Fund	30 June 2013 NSCI (XIC)	30 June 2012 The Fund	30 June 2012 NSCI (XIC)
Number of companies	**98**	**383**	90	413
Weighted average market capitalisation	**£562m**	**£882m**	£420m	£806m
Price earnings ratio (historic)	**11.3x**	**14.3x**	9.7x	12.8x
Dividend yield (historic)	**2.9%**	**2.5%**	3.4%	3.0%
Dividend cover	**3.0x**	**2.8x**	3.0x	2.6x

The table above summarises the income characteristics of the portfolio and the NSCI (XIC). It also shows the respective PEs, which have risen over the past twelve months, consistent with the strong returns from smaller companies. The Fund's portfolio PE remains lower than both the index's and its long term average of 12x.

The following table focuses on the Manager's favoured valuation metric, EV/EBITA (the ratio of enterprise value to earnings before interest, tax and amortisation). As with the full year 2012 Manager's report, data are shown for the portfolio, for the tracked universe, for the growth companies monitored by the Manager within the tracked universe, and for the rest of the tracked universe. The purpose is to illustrate the "value stretch" that continues to characterise the small company universe: growth companies are valued on a 51% premium to the rest of the tracked universe. This has narrowed slightly from the 57% premium at 31 December 2012, but is still very wide in the context of Aberforth's 23 year history. The portfolio is even more modestly valued on 8.9x. The persistence of such valuation anomalies gives the Manager confidence that, notwithstanding the excellent returns from the asset class over recent months, there is ample scope for the value investor to profit from prevailing valuations.

2013 EV/EBITA ratio

34 growth companies	*247 other companies*	*Tracked NSCI (XIC)*	*The Fund's portfolio*
14.8x	9.8x	10.5x	8.9x

Outlook

The pleasing run for equities in general and small companies in particular over the past twelve months was challenged as the half year drew to a close. Bond yields rose sharply and equity prices fell as comments from the Fed gave pause for thought about both the duration and the success of QE. Whatever the merits of unconventional monetary policies, it is unlikely that the authorities are about to give up and admit defeat; it is more likely that the absence of improved prospects for real economies will be met by incremental doses of QE. The more positive interpretation, consistent with a "great rotation", is that unconventional monetary policies are succeeding in stimulating economic activity.

Scanning the global economy, the outlook is mixed. China's growth is moderating, but Japan, under the huge incremental stimulus from Abe and Kuroda, holds more promise than it has for some time. In Europe, the periphery is working through its austerity programmes, while the core is hampered by weaker exports. The US still offers most hope as the banking system normalises and the consumer sector regains confidence. Meanwhile, the UK is in an intriguing position. Structurally, the economy continues to benefit from relative openness and competitiveness but it still faces the challenges of austerity and deleveraging. These may be mitigated by the extra discretion granted to the Bank of England under Mark Carney and, for better or worse, the Budget's Help-to-Buy scheme threatens to engender a pre election consumer rally. Recent economic data offer encouragement and through the passage of time the structural challenges are becoming less onerous.

Such top down issues can seem far removed from the world of small UK quoted companies, but it would be naïve to think that the unrelenting positive returns from the asset class over the past twelve months were due to the good work of company boards alone. It will be important to retain such a perspective if the very recent bout of nervousness continues. However, with a longer term view, it is the underlying businesses and their valuations that should determine returns for the equity investors. In this regard, the signs remain positive. Balance sheets are strong (perhaps too strong), boards have rediscovered the discipline of dividends, and executive management teams are taking the decisions necessary to make the most of subdued demand conditions. Most importantly, for the Manager, valuations for the majority of small companies remain attractive in a historic context. Moreover, the stretch in valuations between this majority and the growth companies remains wide, which should be conducive to the value investment style resuming its long term pre-eminence.

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Aberforth Unit Trust Managers Limited

18 July 2013

Distribution Table

For the six months to 30 June 2013

Group 1: Units purchased prior to 1 January 2013
Group 2: Units purchased on or after 1 January 2013

Interim Distribution	Net Income June 2013	Equalisation† June 2013	Distribution/ Accumulation June 2013	Distribution/ Accumulation June 2012
Income units				
Group 1	**193.1935p**	–	**193.1935p**	185.0259p
Group 2	**97.7296p**	**95.4639p**	**193.1935p**	185.0259p
Accumulation units				
Group 1	**222.0124p**	–	**222.0124p**	205.8613p
Group 2	**112.3080p**	**109.7044p**	**222.0124p**	205.8613p

† When buyers purchase units, 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. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Long Term Investment Record

Historic Returns

Period	Discrete Annual Returns (%) The Fund[1]	Index
1 year to 30.6.13	33.3	31.8
1 year to 30.6.12	–7.8	–4.1
1 year to 30.6.11	33.5	34.2
1 year to 30.6.10	18.0	28.0
1 year to 30.6.09	–13.9	–12.4
1 year to 30.6.08	–25.7	–24.8
1 year to 30.6.07	27.0	25.4
1 year to 30.6.06	19.4	25.9
1 year to 30.6.05	25.0	18.2
1 year to 30.6.04	34.6	32.7
1 year to 30.6.03	0.0	–2.6
1 year to 30.6.02	4.1	–13.0
1 year to 30.6.01	25.9	–4.4
1 year to 30.6.00	11.9	19.0
1 year to 30.6.99	11.3	6.8
1 year to 30.6.98	16.7	22.9
1 year to 30.6.97	2.5	4.5
1 year to 30.6.96	32.8	27.2
1 year to 30.6.95	10.3	4.4
1 year to 30.6.94	13.5	11.9

Periods to 30.6.13	Annualised Returns (%)		Cumulative Returns (%)	
	The Fund[1]	Index	The Fund[1]	Index
2 years from 30.6.11	10.9	12.4	23.0	26.4
3 years from 30.6.10	18.0	19.3	64.2	69.7
4 years from 30.6.09	18.0	21.4	93.8	117.2
5 years from 30.6.08	10.8	13.7	66.8	90.3
6 years from 30.6.07	3.6	6.2	23.9	43.1
7 years from 30.6.06	6.7	8.7	57.4	79.5
8 years from 30.6.05	8.2	10.7	88.0	126.0
9 years from 30.6.04	10.0	11.5	135.0	167.2
10 years from 30.6.03	12.2	13.5	216.3	254.5
15 years from 30.6.98	11.6	9.0	416.3	265.3
22.3 years from inception on 20.3.1991	13.0	10.4	1,422.8	803.6

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

Past performance is not a guide to future performance.

Portfolio Statement

As at 30 June 2013

Holding	Security	Value £'000	30 June 2013 % of Total Net Assets	% of the Index	31 December 2012 % of Total Net Assets	% of the Index
Oil & Gas Producers		**2,362**	**2.7**	**3.1**	2.6	3.9
748,751	EnQuest	884	1.0			
467,887	Hardy Oil & Gas	510	0.6			
756,266	JKX Oil & Gas	427	0.5			
394,557	Petroceltic International	541	0.6			
Oil Equipment, Services & Distribution		**–**	**–**	**1.4**	–	1.5
Alternative Energy		**–**	**–**	**0.1**	–	0.1
Chemicals		**1,372**	**1.6**	**3.5**	3.1	4.0
716,018	Synthomer	1,372	1.6			
Industrial Metals & Mining		**325**	**0.4**	**0.1**	0.4	0.2
3,894,352	International Ferro Metals	325	0.4			
Mining		**1,062**	**1.2**	**1.9**	1.8	3.3
283,630	Anglo Pacific Group	481	0.5			
441,855	Aquarius Platinum	175	0.2			
1,286,110	Centamin	406	0.5			
Construction & Materials		**2,412**	**2.8**	**2.0**	3.6	1.9
175,347	Galliford Try	1,639	1.9			
1,212,345	Low & Bonar	773	0.9			
Aerospace & Defence		**2,313**	**2.7**	**2.6**	1.7	2.7
278,764	Chemring Group	792	0.9			
843,285	QinetiQ Group	1,521	1.8			
General Industrials		**2,854**	**3.3**	**1.2**	3.0	1.2
526,867	RPC Group	2,148	2.5			
192,072	Vesuvius	706	0.8			
Electronic & Electrical Equipment		**4,209**	**5.0**	**2.4**	3.7	2.5
1,789,617	e2v technologies	2,125	2.5			
168,376	HellermannTyton Group	428	0.5			
357,588	Morgan Advanced Materials	929	1.1			
479,670	TT Electronics	727	0.9			
Industrial Engineering		**3,157**	**3.7**	**1.8**	4.9	2.0
230,986	Bodycote	1,209	1.4			
314,290	Castings	1,174	1.4			
119,697	Hill & Smith Holdings	534	0.6			
41,687	Vitec Group	240	0.3			
Industrial Transportation		**502**	**0.6**	**2.1**	0.7	2.0
790,573	Wincanton	502	0.6			

Portfolio Statement

As at 30 June 2013

Holding	Security	Value £'000	30 June 2013 % of Total Net Assets	30 June 2013 % of the Index	31 December 2012 % of Total Net Assets	31 December 2012 % of the Index
Support Services		**13,027**	**15.2**	**15.8**	14.7	15.4
284,317	Acal	640	0.7			
486,285	Capital Drilling	85	0.1			
208,182	Carillion	575	0.7			
831,295	Fiberweb	582	0.7			
142,435	Hyder Consulting	648	0.7			
468,827	Lavendon Group	796	0.9			
1,168,777	Management Consulting Group	333	0.4			
102,596	Mears Group	394	0.4			
652,981	Northgate	2,205	2.6			
345,512	office2office	283	0.3			
1,029,059	Regus	1,617	1.9			
351,977	Robert Walters	767	0.9			
720,528	RPS Group	1,445	1.7			
1,035,376	Shanks Group	813	1.0			
496,877	Smiths News	752	0.9			
1,843,113	Speedy Hire	1,092	1.3			
Automobiles & Parts		**–**	**–**	**–**	–	–
Beverages		**–**	**–**	**1.2**	–	1.1
Food Producers		**1,080**	**1.3**	**2.5**	2.4	2.5
295,768	Hilton Food Group	1,080	1.3			
Household Goods & Home Construction		**987**	**1.1**	**2.6**	2.4	2.3
7,185	AGA Rangemaster Group	6	–			
60,815	Bovis Homes Group	464	0.5			
237,725	Redrow	517	0.6			
Leisure Goods		**417**	**0.5**	**0.4**	–	0.3
475,760	Photo-Me International	417	0.5			
Personal Goods		**–**	**–**	**0.8**	–	0.7
Health Care Equipment & Services		**753**	**0.9**	**1.0**	1.3	1.0
660,455	Optos	753	0.9			
Pharmaceuticals & Biotechnology		**1,171**	**1.4**	**2.0**	1.8	2.1
1,473,453	Vectura Group	1,171	1.4			
Food & Drug Retailers		**–**	**–**	**1.9**	–	1.2
General Retailers		**6,149**	**7.2**	**8.4**	7.3	8.1
112,102	Darty	64	0.1			
1,415,815	Dixons Retail	582	0.7			
240,254	Halfords Group	762	0.9			
261,322	JD Sports Fashion	2,301	2.7			
183,005	Mothercare	789	0.9			
719,527	Topps Tiles	498	0.6			
160,611	WH Smith	1,153	1.3			

Portfolio Statement

As at 30 June 2013

Holding	Security	Value £'000	30 June 2013 % of Total Net Assets	30 June 2013 % of the Index	31 December 2012 % of Total Net Assets	31 December 2012 % of the Index
Media		**5,072**	**6.0**	**4.2**	6.2	3.9
114,472	4imprint Group	578	0.7			
1,177,634	Centaur Media	403	0.5			
278,608	Chime Communications	709	0.8			
5,466,377	Future	820	1.0			
2,667,913	Huntsworth	1,494	1.7			
912,642	Mecom Group	319	0.4			
676,321	Trinity Mirror	749	0.9			
Travel & Leisure		**8,589**	**10.0**	**11.1**	6.7	10.4
53,909	Air Partner	181	0.2			
1,217,008	FirstGroup	1,171	1.4			
53,284	Go-Ahead Group	789	0.9			
549,635	National Express Group	1,234	1.4			
126,025	Playtech	758	0.9			
3,327,899	Punch Taverns	433	0.5			
2,757,258	Spirit Pub Company	1,827	2.1			
849,783	Sportech	673	0.8			
1,179,814	Thomas Cook Group	1,523	1.8			
Fixed Line Telecommunications		**792**	**0.9**	**2.0**	1.0	2.0
973,521	KCOM Group	792	0.9			
Electricity		**–**	**–**	**0.4**	–	0.5
Gas, Water & Multiutilities		**–**	**–**	**–**	–	–
Banks		**–**	**–**	**0.4**	–	0.3
Nonlife Insurance		**1,217**	**1.4**	**1.8**	2.0	1.7
269,552	Beazley	620	0.7			
124,315	Novae Group	597	0.7			
Life Insurance		**687**	**0.8**	**1.0**	0.7	0.9
597,424	Hansard Global	687	0.8			
Real Estate Investment & Services		**5,424**	**6.4**	**4.3**	5.3	4.0
1,668,729	Assura Group	588	0.7			
542,778	Grainger	785	0.9			
585,668	Safestore Holdings	728	0.9			
705,946	St. Modwen Properties	1,893	2.2			
396,409	Unite Group	1,430	1.7			
Real Estate Investment Trusts		**963**	**1.1**	**2.8**	2.2	3.0
1,190,186	Hansteen Holdings	963	1.1			

Portfolio Statement

As at 30 June 2013

Holding	Security		30 June 2013		31 December 2012	
		Value £'000	% of Total Net Assets	% of the Index	% of Total Net Assets	% of the Index
Financial Services		**6,598**	**7.7**	**7.7**	6.6	7.3
680,954	Brewin Dolphin Holdings	1,584	1.9			
154,263	Charles Stanley Group	614	0.7			
1,238,381	F&C Asset Management	1,175	1.4			
157,576	Intermediate Capital Group	685	0.8			
272,534	Jupiter Fund Management	788	0.9			
549,654	Tullett Prebon	1,752	2.0			
Software & Computer Services		**6,773**	**8.0**	**2.7**	8.5	2.9
478,602	Anite	649	0.7			
146,156	Computacenter	653	0.8			
375,076	Kofax	1,272	1.5			
174,928	Micro Focus	1,240	1.5			
533,872	Microgen	763	0.9			
834,367	Phoenix IT Group	1,331	1.6			
810,859	RM	519	0.6			
120,052	SDL	346	0.4			
Technology Hardware & Equipment		**4,052**	**4.7**	**2.8**	4.9	3.1
467,034	CSR	2,510	2.9			
1,220,746	Filtronic	732	0.9			
331,757	Laird	587	0.7			
1,717,990	Promethean World	223	0.2			
Investments as shown in the Balance Sheet		**84,319**	**98.6**	**100.0**	99.5	100.0
Net Current Assets		**1,196**	**1.4**	**–**	0.5	–
Total Net Assets		**85,515**	**100.0**	**100.0**	100.0	100.0

All investments are in ordinary shares and, unless otherwise indicated, are listed on the London Stock Exchange.

Additional Portfolio Information

For the six months ended	30 June 2013 £'000	30 June 2012 £'000
Purchases	**45,111**	20,313
Sales	**130,628**	44,336

Statement of total return

For the six months ended 30 June 2013 *(unaudited)*

	30 June 2013		30 June 2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		19,241		18,059
Revenue	3,075		3,698	
Expenses	(739)		(778)	
Finance costs: interest	–		(2)	
Net revenue before taxation	2,336		2,918	
Taxation	–		(4)	
Net revenue after taxation		2,336		2,914
Total return before distributions		21,577		20,973
Finance costs: distributions		(2,770)		(3,375)
Change in net assets attributable to unitholders from investment activities		18,807		17,598

Statement of change in unitholders' net assets

For the six months ended 30 June 2013 *(unaudited)*

	30 June 2013		30 June 2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		151,334		170,175
Amounts receivable on issue of units	16,771		852	
Amounts payable on cancellation of units	(102,418)		(26,884)	
		(85,647)		(26,032)
Stamp duty reserve tax		(4)		(1)
Change in net assets attributable to unitholders from investment activities		18,807		17,598
Retained distribution on accumulation units		1,025		2,479
Closing net assets attributable to unitholders		85,515		164,219

Balance sheet
As at 30 June 2013 *(unaudited)*

	30 June 2013		31 December 2012	
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		**84,319**		150,595
Debtors	**1,978**		347	
Cash and bank balances	**2,721**		1,157	
Total other assets		**4,699**		1,500
Total assets		**89,018**		152,095
LIABILITIES				
Creditors	**(3,210)**		(682)	
Distribution payable on income units	**(293)**		(79)	
Total liabilities		**(3,503)**		(761)
Net assets attributable to unitholders		**85,515**		151,334

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

Basis of accounting

The interim financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Management Association in October 2010. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012 and are described in those financial statements.

2. Finance Costs

Distributions and interest

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

	June 2013 £'000	June 2012 £'000
Interim distribution	**1,318**	3,129
Add: Income deducted on cancellation of units	**1,580**	260
Less: Income received on creation of units	**(128)**	(14)
Distributions:	**2,770**	3,375
Bank overdraft interest	**–**	2
Total finance cost	**2,770**	3,377

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

	June 2013 £'000	June 2012 £'000
Net revenue after taxation	**2,336**	2,914
Add: Manager's periodic fee taken to capital	**434**	461
Distributions:	**2,770**	3,375

5/8ths of the Manager's periodic fee is allocated to capital and the remaining 3/8ths is allocated to revenue.

Financial instruments exposure

In pursuing its investment objective certain risks arise for the Fund in relation to the investment portfolio and cash balances held.

The main risks arising are from market price, liquidity, credit and interest rate risks. 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 Price 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.

Liquidity Risk

The Fund's assets comprise mainly of securities which 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. In addition, in accordance with the Prospectus terms, redemptions may be settled by an in specie transfer of assets.

Credit Risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counter-party 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 which 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 the Manager to comply with its obligation to obtain the best possible result for its clients.

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.

Interest Rate Risk

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

Management and Administration

Manager

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Canary Wharf
London E14 5NT

Auditors

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Erskine House
68-73 Queen Street
Edinburgh EH2 4NH

**Authorised and regulated by the Financial Conduct Authority*

Buying and Selling

Units may be bought and sold by contacting the Manager by telephone, at the address above or by email (ordergroup@capitafinancial.com). In addition orders can be placed electronically via EMX and Calastone transaction networks. Valuation of the fund takes place each business day at 4.30 pm on a forward pricing basis.

Copies of the Prospectus are available, free of charge, from the Manager or on-line at www.aberforth.co.uk.

Pricing Policy

We operate a dual pricing methodology for this fund whereby net contributions take place at the issue price and net withdrawals take place at the cancellation price. The issue price is currently 2.0% higher than the cancellation price. The issue price is calculated by reference to the offer prices of the underlying investments, plus an allowance for broker commissions and stamp duty. The cancellation price is calculated by reference to the bid prices of the underlying investments, less an allowance for broker commissions. This means that, when investments are bought or sold as a result of other investors joining or leaving the fund, your investment is fully protected from the costs of these transactions.

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