Aberforth UK Small Companies Fund

Half Yearly Report

30 June 2015

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		01.07.15[1]	02.01.15[1]
Accumulation Units	Issue Price	£217.64	£189.21
	Cancellation Price	£213.75	£185.90
Income Units	Issue Price	£178.00	£157.15
	Cancellation Price	£174.82	£154.40
	Yield	2.5%	2.3%

Charges	01.07.15[1]	02.01.15[1]
Initial charge	Nil	Nil
Dealing spread	1.8%	1.8%
Ongoing charges	0.85%	0.85%
Exit charge	Nil	Nil

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

Performance Summary

	The Fund[1] (%)	Index[2] (%)
6 months to 30 June 2015	15.0	11.8

Net Asset Value (Post Distribution)

	30.06.15	31.12.14
Total Net Assets	£186.0m	£195.8m
Accumulation units in issue	513,195.641	608,875.844
Income units in issue	435,142.114	534,302.352
NAV per unit – accumulation	£214.01	£186.02
NAV per unit – income	£175.03	£154.50

Historic Returns

Period	Discrete Annual Returns (%) The Fund[1]	Index[2]
1 year to 30 June 2015	13.5	10.4
1 year to 30 June 2014	30.5	20.3
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

Periods to 30 June 2015	Cumulative Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2012	97.5	75.0
5 years from 30 June 2010	143.3	125.2
10 years from 30 June 2005	178.5	200.0
15 years from 30 June 2000	514.4	281.4
Since inception on 20 March 1991	2,156.0	1,099.5

Periods to 30 June 2015	Annualised Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2012	25.5	20.5
5 years from 30 June 2010	19.5	17.6
10 years from 30 June 2005	10.8	11.6
15 years from 30 June 2000	12.9	9.3
Since inception on 20 March 1991	13.7	10.8

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

2 Represents capital appreciation on the Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)) with dividends reinvested. This index comprises the bottom 10% of all UK quoted companies by market value which at 1 January 2015 consisted of 369 companies, the largest market capitalisation of which was £1.265 billion and the aggregate market capitalisation of which was £157 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

This Interim Report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook 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 the Collective Investment Schemes Sourcebook.

Changes to Prospectus

With effect from 1 July 2015, the management fee was reduced to 0.75% per annum (from 0.80% per annum).

Introduction

UK equities have enjoyed a good start to 2015. The FTSE All-Share, which is representative of larger companies, produced a total return of 3.0% over the six months to 30 June 2015. This was bettered by the benchmark NSCI (XIC), whose return was 11.8%. This good outcome for the small company asset class represented a favourable backdrop for the Fund: its total return was 15.0%.

These returns have come despite the usual assortment of geopolitical and macro economic concerns. Several of these have loomed for some time, notably the risk of a “Grexit”, China’s slowdown and Russian sabre-rattling. On top of these, the US economy, which led the initial recovery from the recession and global financial crisis, performed less smoothly in the early months of 2015; the strong dollar and another bad winter were widely blamed. Stockmarkets, which remain hyper-sensitive to the timing of interest rate rises, have so far taken this soft patch in their stride.

Closer to home, the UK’s domestic economy has sustained the improvement of recent years but has had to cope with the uncertainties of a general election. These uncertainties were manifest in several forms, from delayed investment decisions, through a rush to complete IPOs before a potential change of government, to a widening of discounts among smaller company investment trusts. The eventual result was deemed by the financial markets as business friendly and, despite the promise of further and deeper austerity policies, small company share prices rose and discounts narrowed in the aftermath.

Top-down uncertainty contrasts with a more positive message emanating from companies themselves. The Manager’s commentary in the 2014 Annual Report and Accounts noted a cautious optimism on the part of company boards. It may be argued that company managers fall victim to the human failing of poor forecasting, but evidence of this improved optimism has built over the past six months and is being reflected in more than just words.

- The ratio of a company’s capital expenditure to depreciation indicates its appetite for investment: a ratio above one suggests investment for growth. The Manager follows closely 98% by value of the NSCI (XIC), a subset of 294 companies termed the “tracked universe”. Even with the capex-heavy resources companies excluded from this population, the average capex to depreciation ratio in 2014 was over 1.5x. This indicates that small and medium sized companies, after a hiatus in the wake of the recession, are sufficiently confident to invest again.

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- One-off returns of cash, whether through special dividends or buy-backs, have also been a feature of the NSCI (XIC) in 2015; the Fund itself has received six special dividends from its investee companies. Again, this trend may be interpreted as an indication of increased confidence among small company boards.
- These factors, combined with more frequent acquisitions by small companies, have reduced the proportion of companies with net cash on their balance sheets. At 30 June 2015, 31% of the Fund's portfolio was invested in companies with net cash, against 37% three years ago. The corresponding figures for the tracked universe are 28% and 31%. Clearly, this shift will prove to have been unhelpful in the eventuality of another recession. However, the deployment of cash, assisted by an easier credit environment, should bode well for shareholders and the broader economy.

In rationalising the good stockmarket returns from small companies so far in 2015, and indeed over recent years, an appreciation of these bottom-up dynamics helps. Macro economics certainly cannot be ignored, and here there is evidence that one of the top-down concerns that have bedevilled the recovery – confidence on the part of companies to spend their cash – is now being addressed.

Investment performance

The Fund's total return was 15.0%, which compares with the NSCI (XIC)'s 11.8%. The table below analyses the relative out-performance. The subsequent paragraphs provide more detail on the influences on performance. In summary, the Fund's superior performance came despite the headwinds from the portfolio's bias towards the smaller constituents of the NSCI (XIC) and from the Manager's value style. These were offset by contributions from individual stocks, some of which benefited from takeover activity.

For the 6 months ended 30 June 2015	Basis points
Stock selection	195
Sector selection	109
Attributable to the portfolio of investments, based on mid prices	304
Movement in mid to bid price spread	56
Cash/overdraft	7
Management fee	(38)
Other expenses	(3)
Total attribution based on bid prices	326

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = 15.03%; Benchmark Index = 11.77%; difference is 3.26% being 326 basis points).

Style & Size

The Fund has enjoyed a good period of relative performance despite challenges from its size and style positioning. So far in 2015, the NSCI (XIC) has been led by its larger constituents, i.e. those companies that form part of the overlap with the FTSE 250. The Fund's portfolio has a relatively low exposure to these "larger small" companies – 46% against 68% for the NSCI (XIC). This positioning reflects the much lower valuations still ascribed to the "smaller small" companies, which are perceived by many investors as too illiquid or too risky.

Additionally, the Fund's style positioning, which is a function of the Manager's value investment philosophy and which has worked strongly to its advantage over the long term, has been a hindrance so far in 2015. To the extent that today's value stocks have a higher cyclical exposure, the recent out-performance of growth stocks may be a reflection of general macro economic concerns. There is also a sector influence at work: the NSCI (XIC)'s weighting in the oil sectors increased substantially on its annual rebalancing on 1 January 2015. This was because several larger oil companies performed very poorly in the latter part of 2014 in response to the drop in the oil price. These companies became small enough for the NSCI (XIC) and were mostly designated as value stocks. Therefore, the continued weakness of the oil sectors so far in 2015 has represented a greater drag on the value style.

Sectors

The Fund's interaction with the oil sector is a useful example of the Manager's value investment discipline at work. Until 2014, the portfolio's exposure to the oil sectors had been lower than the NSCI (XIC)'s for ten years. This reflected misgivings about the valuations accorded to exploration and production companies when the stockmarket ascribed high probabilities to exploration success and when cost inflation was rampant. This changed with the drop in the oil price in the second half of 2014. Belts have been tightened across the oil industry and a deflationary jolt has been sent through the oil services industry. The sharp decline in the share prices has taken price to cash flow valuations for several oil producers back to levels that prevailed when the Fund was last heavily engaged in the sector.

If for much of the previous decade the oil sectors led the way in the stockmarket – enjoying strong share price performance and finding it easy to raise capital – the baton has more recently been passed to the healthcare sectors. Here, demographics, the future role of genomics and "Obamacare" have combined to generate significant stockmarket interest in biotech and other healthcare businesses. The Fund has benefited from a consequent re-rating of its investments in the healthcare sectors, but its exposure to these has reduced over recent years as a result of M&A activity. Though there are other moving parts, the portfolio's re-engagement with the oil sectors may be considered to have been funded by sales within the healthcare sectors. This contrarian dynamic is a frequent feature of a consistent adherence to a value investment philosophy.

Dividends

The special dividends noted in the introduction have been one part of what has been a very favourable dividend experience for investors in small companies generally and the Fund specifically. Data from the London Business School suggest that dividends from NSCI (XIC) constituents have grown by 10% per annum in real terms over the last five years. To put the strength of this performance in context, since 1955 real dividend growth from small companies has averaged 2½% per annum and 1% from large companies. Clearly, the five year data are flattered by the starting point: many dividends were cut in 2009 as the financial crisis and recession took their toll. An element of the growth experienced by the NSCI (XIC) has been driven by the return to the dividend

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register of companies that passed their dividends in 2009. The Fund has also benefited from this dynamic, which can be illustrated by the decline in the proportion of the portfolio invested in zero yielding companies: a year ago, the proportion was 23%, whereas today it is 15%.

The strength of dividend growth from small companies has been remarkable and helps in understanding the good share price performance of the asset class in recent years. But there are a couple of caveats. First, it is important not to get carried away: 10% per annum real dividend growth is unsustainable and will revert to the long term average. With recession not apparently imminent, it does not look likely that this will happen abruptly. However, over a period of years, the convergence must take place. Second, demonstrations of capital discipline, whether through the articulation of a progressive dividend policy or the announcement of a special dividend, are being rewarded by the stockmarket in the form of higher share prices. This may have introduced an element of faddishness: it is not clear that all dividend decisions are being made for the right reasons. Then again, the re-emergence of the importance of dividends was overdue: one of the lingering effects of the TMT bubble was to condition a generation of managers to view dividends as obsolete.

Corporate activity

Corporates have been reasonably active so far in 2015. Bids or approaches for 17 constituents of the NSCI (XIC) were announced in the first six months of 2015. Of these, the Fund held six in its portfolio. The total value of the 17 deals was £9bn. This outstripped the £6bn total value of the 14 IPOs that have so far been completed in 2015. Some vendors appear to have been keen to list their businesses before the general election, perhaps worried about the chances of a less business friendly regime thereafter. The Manager believes that this eagerness may have nudged the pricing of the deals in favour of the buyers. The Fund had holdings in three of 2015's IPOs in its portfolio at the end of the half year; these had a cumulative portfolio weight of 1.6%.

Active share

Active share is a measure of how different a portfolio is from an index. The higher the active share ratio, the greater the difference. A higher active share increases the chances that a portfolio will perform differently from the index, for better or worse. The Manager uses it as a tool to ensure that the portfolio does not become a closet index tracker and targets a ratio of at least 70%. At 30 June 2015, the ratio was 75%.

Valuations

The table below provides historic valuation data for the portfolio and NSCI (XIC). Consistent with the strong returns from the asset class, the 15.7x PE ratio of the index has moved up sharply from 13.2x at 31 December 2014. The corresponding figures for the FTSE All-Share, which is representative of large companies, are 16.9x and 13.8x. At 30 June 2015, small companies were on a 7% discount to large, which is in line with the long term average. In terms of dividend yield, large companies appear to offer superior value: their 3.5% yield at 30 June compares with 2.4% for small companies. However, small companies benefit from much higher dividend cover – 2.6x against 1.7x – and their income is less concentrated than is the case in the large cap world.

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Characteristics	30 June 2015 The Fund	30 June 2015 NSCI (XIC)	30 June 2014 The Fund	30 June 2014 NSCI (XIC)
Number of companies	**89**	**357**	95	358
Weighted average market capitalisation	**£697m**	**£874m**	£634m	£812m
Price earnings (PE) ratio (historic)	**14.1x**	**15.7x**	13.4x	15.2x
Dividend yield (historic)	**2.6%**	**2.4%**	2.3%	2.4%
Dividend cover	**2.7x**	**2.6x**	3.2x	2.8x

The Manager prefers the ratio of enterprise value to earnings before interest, tax and amortisation (EV/EBITA) to the PE, since the former metric is unaffected by a company's capital structure. The following table demonstrates the EV/EBITA ratios 18 months from now to December 2016.

2016 EV/EBITA ratio			
42 growth companies	*252 other companies*	*Tracked Universe*	*The Fund's portfolio*
15.1x	10.9x	11.5x	9.4x

A re-rating, driven by rising stockmarkets, is evident: in last year's interim report, the comparable EV/EBITA ratios for 18 months out were 8.5x in the case of the portfolio and 9.9x in the case of the tracked universe. Despite these higher valuations, the Manager is not struggling to identify attractive investment opportunities. It remains the case that these are concentrated down the market capitalisation scale, where many investors, deterred by illiquidity, are reluctant to venture. The Manager welcomes such inefficiencies and has retained a bias within the portfolio to "smaller small" companies: a general reluctance to embrace small size and illiquidity is what history suggests should drive superior future returns.

The table of EV/EBITA ratios also shows that there remains a wide stretch between the value stocks that inhabit the portfolio and the 42 growth stocks within the tracked universe. The 60% premium of the latter to the former suggests that the value stretch remains wide, which, as it narrows over time, should be to the benefit of the value style and therefore to the Fund.

Outlook & conclusion

With the S&P 500 in its fourth longest bull market in 100 years and with a bubble in the Chinese stockmarket apparently in the process of bursting, it is not hard to spot reasons for caution among equity markets. This is particularly so because they continue to feel the pleasant effects of extraordinary monetary stimulus: the Eurozone has finally adopted quantitative easing, Japan continues its own programme and China is now loosening monetary policy. In contrast, the US is confronted by the prospect of tighter monetary policy: short term volatility is inevitable as markets attempt to anticipate and react to the Federal Reserve's first interest rate increase in the current cycle.

The 125% total return from the NSCI (XIC) over the five years to 30 June 2015 suggests that small UK quoted companies have also benefited from this climate of extremely accommodative monetary policy. Within the most recent period, their share prices have received an additional boost from the

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outcome of the general election, as the prospects of domestically oriented businesses have been re-evaluated. The upshot of this strong performance is a PE valuation for the NSCI (XIC) as a whole that is one fifth higher than its long term average. This again counsels caution.

In mitigation, small companies are, in general, trading well. Though austerity and nascent wage inflation bring their own challenges, the promising outlook for the domestic economy and the cautious optimism on the part of boards appear justified. The Manager also takes reassurance from the wide range of valuations within the small company universe: with a value investment discipline, there is no need to flirt with the higher than average valuations for the NSCI (XIC) as a whole. The portfolio is thus able to retain a distinct valuation advantage over the index. This, alongside the attractive income dynamics presently at work within the small cap world, might be considered to offer some protection in the advent of an investment backdrop less benign than has been the case for some time.

A P Bamford, *Director*
R M J Newbery, *Director*
Aberforth Unit Trust Managers Limited

29 July 2015

Long Term Investment Record

Historic Returns

Periods to 30 June 2015	Annualised Returns (%) The Fund[1]	Annualised Returns (%) Index	Cumulative Returns (%) The Fund[1]	Cumulative Returns (%) Index
2 years from 30 June 2013	21.7	15.2	48.1	32.7
3 years from 30 June 2012	25.5	20.5	97.5	75.0
4 years from 30 June 2011	16.2	13.8	82.2	67.8
5 years from 30 June 2010	19.5	17.6	143.3	125.2
6 years from 30 June 2009	19.2	19.3	187.1	188.3
7 years from 30 June 2008	13.8	14.2	147.1	152.6
8 years from 30 June 2007	7.9	8.4	83.6	90.0
9 years from 30 June 2006	9.9	10.1	133.1	138.2
10 years from 30 June 2005	10.8	11.6	178.5	200.0
15 years from 30 June 2000	12.9	9.3	514.4	281.4
24.3 years from inception on 20 March 1991	13.7	10.8	2,156.0	1,099.5

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

Past performance is not a guide to future performance.

Distribution Table

For the six months to 30 June 2015

Group 1: Units purchased prior to 1 January 2015

Group 2: Units purchased on or after 1 January 2015

Interim Distribution	Net Income June 2015	Equalisation† June 2015	Distribution/ Accumulation June 2015	Distribution/ Accumulation June 2014
Income units (payable 28 August 2015)				
Group 1	275.8100p	–	**275.8100p**	178.7925p
Group 2	129.0898p	146.7202p	**275.8100p**	178.7925p
Accumulation units				
Group 1	332.0761p	–	**332.0761p**	210.5902p
Group 2	155.4245p	176.6516p	**332.0761p**	210.5902p

† 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.

Portfolio Statement

As at 30 June 2015

Holding	Security	30 June 2015 Value £'000	30 June 2015 % of Total Net Assets	30 June 2015 % of the Index	31 December 2014 % of Total Net Assets	31 December 2014 % of the Index
Oil & Gas Producers		**6,981**	**3.7**	**3.3**	3.1	4.6
3,836,051	EnQuest	1,640	0.9			
1,200,287	Hardy Oil & Gas	414	0.2			
324,300	Nostrum Oil & Gas	1,920	1.0			
1,298,496	Petroceltic International	1,337	0.7			
950,140	SOCO International	1,670	0.9			
Oil Equipment, Services & Distribution		**1,950**	**1.0**	**1.3**	0.6	1.2
1,611,500	Gulf Marine Services	1,950	1.0			
Alternative Energy		**–**	**–**	**0.1**	–	0.2
Chemicals		**2,211**	**1.2**	**2.2**	1.1	2.0
502,000	Carclo	743	0.4			
472,133	Synthomer	1,468	0.8			
Industrial Metals & Mining		**246**	**0.1**	**0.2**	0.1	0.2
9,832,752	International Ferro Metals	246	0.1			
Mining		**3,053**	**1.6**	**3.2**	1.4	3.9
1,362,108	Anglo Pacific Group	1,189	0.6			
3,019,310	Centamin	1,864	1.0			
543,440	Kenmare Resources Wts 2019[1]	0	0.0			
Construction & Materials		**3,899**	**2.1**	**3.1**	0.9	2.8
561,348	Eurocell	1,179	0.6			
197,700	Keller	2,019	1.1			
1,008,845	Low & Bonar	701	0.4			
Aerospace & Defence		**5,763**	**3.1**	**2.7**	3.0	2.8
528,964	Chemring Group	1,157	0.6			
2,054,585	QinetiQ Group	4,606	2.5			
General Industrials		**10,265**	**5.5**	**1.8**	4.8	1.7
778,104	RPC Group	5,190	2.8			
1,194,072	Vesuvius	5,075	2.7			
Electronic & Electrical Equipment		**11,797**	**6.4**	**2.3**	5.6	2.9
2,379,617	e2v technologies	5,973	3.2			
1,064,588	Morgan Advanced Materials	3,475	1.9			
1,617,270	TT Electronics	2,349	1.3			
Industrial Engineering		**5,914**	**3.2**	**2.1**	3.3	2.1
263,686	Bodycote	1,776	1.0			
370,390	Castings	1,556	0.8			
404,316	Vitec Group	2,582	1.4			
Industrial Transportation		**2,531**	**1.4**	**1.7**	1.2	1.6
1,390,573	Wincanton	2,531	1.4			

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As at 30 June 2015

Holding	Security	Value £'000	30 June 2015 % of Total Net Assets	30 June 2015 % of the Index	31 December 2014 % of Total Net Assets	31 December 2014 % of the Index
Support Services		**25,283**	**13.6**	**10.0**	13.8	9.9
208,434	Acal	648	0.3			
960,185	Capital Drilling	269	0.2			
1,677,741	Connect Group	2,361	1.3			
237,900	De La Rue	1,249	0.7			
4,615,177	Hogg Robinson Group	2,815	1.5			
4,583,477	Management Consulting Group	688	0.4			
15,400	John Menzies	76	0.0			
540,521	Northgate	3,108	1.7			
1,272,200	Premier Farnell	2,193	1.2			
742,827	Robert Walters	3,007	1.6			
1,154,761	RPS Group	2,601	1.4			
3,923,596	Shanks Group	3,992	2.1			
3,227,913	Speedy Hire	2,276	1.2			
Automobiles & Parts		**–**	**–**	**–**	–	–
Beverages		**–**	**–**	**0.7**	–	0.7
Food Producers		**3,662**	**2.0**	**2.7**	2.0	3.3
738,568	Hilton Food Group	3,442	1.9			
74,500	R.E.A. Holdings	220	0.1			
Household Goods & Home Construction		**5,071**	**2.7**	**4.1**	2.4	3.2
456,007	Bovis Homes Group	5,071	2.7			
Leisure Goods		**1,284**	**0.7**	**0.4**	0.6	0.5
253,849	Games Workshop Group	1,284	0.7			
Personal Goods		**–**	**–**	**1.7**	–	1.5
Health Care Equipment & Services		**–**	**–**	**3.5**	2.5	3.3
Pharmaceuticals & Biotechnology		**2,776**	**1.5**	**3.1**	1.1	2.7
1,550,953	Vectura Group	2,776	1.5			
Food & Drug Retailers		**1,498**	**0.8**	**0.9**	0.7	0.6
847,600	McColl's Retail Group	1,498	0.8			
General Retailers		**17,763**	**9.5**	**7.9**	6.7	7.7
648,100	Card Factory	2,091	1.1			
347,100	DFS Furniture	936	0.5			
581,900	Findel	1,245	0.7			
1,004,628	JD Sports Fashion	7,093	3.8			
1,685,735	Mothercare	4,551	2.4			
4,861,800	Pendragon	1,847	1.0			

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As at 30 June 2015

Holding	Security	30 June 2015 Value £'000	30 June 2015 % of Total Net Assets	30 June 2015 % of the Index	31 December 2014 % of Total Net Assets	31 December 2014 % of the Index
Media		**9,804**	**5.3**	**4.0**	6.7	3.9
1,971,349	Centaur Media	1,488	0.8			
733,208	Chime Communications	1,905	1.0			
10,134,267	Future	1,039	0.6			
5,350,981	Huntsworth	2,542	1.4			
1,876,307	Trinity Mirror	2,800	1.5			
21,300	UTV Media	30	0.0			
Travel & Leisure		**14,448**	**7.8**	**7.3**	8.7	7.6
103,709	Air Partner	420	0.2			
3,239,208	FirstGroup	3,871	2.1			
3,870,866	Flybe Group	2,681	1.4			
148,684	Go-Ahead Group	3,916	2.1			
1,520,700	Ladbrokes	1,971	1.1			
583,997	Punch Taverns	734	0.4			
419,200	Revolution Bars Group	855	0.5			
Fixed Line Telecommunications		**3,684**	**2.0**	**1.8**	1.2	1.7
879,000	Colt Group	1,652	0.9			
2,173,634	KCOM Group	2,032	1.1			
Electricity		**–**	**–**	**0.4**	–	0.5
Gas, Water & Multiutilities		**–**	**–**	**–**	–	–
Banks		**–**	**–**	**0.5**	–	0.5
Nonlife Insurance		**2,742**	**1.5**	**1.6**	1.5	2.1
386,236	Novae Group	2,742	1.5			
Life Insurance		**2,647**	**1.4**	**1.2**	0.5	1.2
1,170,124	Hansard Global	1,123	0.6			
878,800	Just Retirement Group	1,524	0.8			
Real Estate Investment & Services		**10,632**	**5.7**	**7.2**	6.3	6.4
456,280	Countrywide	2,589	1.4			
1,519,388	Grainger	3,469	1.9			
336,615	St. Modwen Properties	1,523	0.8			
1,208,500	Urban&Civic	3,051	1.6			
Real Estate Investment Trusts		**4,708**	**2.5**	**4.8**	2.4	4.7
2,465,444	Hansteen Holdings	2,848	1.5			
732,315	McKay Securities	1,860	1.0			
Financial Services		**13,044**	**7.1**	**6.6**	5.6	6.4
1,120,254	Brewin Dolphin Holdings	3,270	1.8			
376,831	Charles Stanley Group	1,413	0.8			
1,051,853	International Personal Finance	4,806	2.6			
843,019	Paragon Group	3,489	1.9			
32,100	River & Mercantile Group	66	0.0			

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As at 30 June 2015

Holding	Security	Value £'000	30 June 2015 % of Total Net Assets	% of the Index	31 December 2014 % of Total Net Assets	% of the Index
Software & Computer Services		**12,714**	**6.8**	**3.4**	6.4	3.4
2,759,386	Anite	3,498	1.9			
346,163	Computacenter	2,686	1.4			
898,033	Microgen	952	0.5			
1,425,567	Phoenix IT Group	2,238	1.2			
1,310,668	RM	2,005	1.1			
320,852	SDL	1,335	0.7			
Technology Hardware & Equipment		**2,075**	**1.1**	**2.2**	0.9	2.2
3,237,546	Filtronic	259	0.1			
3,220,690	Promethean World	966	0.5			
936,300	Spirent Communications	850	0.5			
Investments as shown in the Balance Sheet		**188,445**	**101.3**	**100.0**	95.1	100.0
Net Current (Liabilities)/Assets		**(2,456)**	**(1.3)**	**–**	4.9	–
Total Net Assets		**185,989**	**100.0**	**100.0**	100.0	100.0

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

[1] Unquoted security, valued at £Nil.

Additional Portfolio Information

For the six months ended	30 June 2015 £'000	30 June 2014 £'000
Total Purchases	**32,266**	65,551
Total Sales	**52,654**	27,897

Statement of Total Return

For the six months ended 30 June 2015 *(unaudited)*

	30 June 2015		30 June 2014	
	£'000	**£'000**	£'000	£'000
Income				
Net capital gains/(losses)		**22,804**		(1,160)
Revenue	**3,310**		2,506	
Expenses	**(782)**		(809)	
Interest payable and similar charges	**(6)**		–	
Net revenue before taxation	**2,522**		1,697	
Taxation	**–**		–	
Net revenue after taxation		**2,522**		1,697
Total return before distributions		**25,326**		537
Distributions		**(2,980)**		(2,181)
Change in net assets attributable to unitholders from investment activities		**22,346**		(1,644)

Statement of Change in Net Assets attributable to Unitholders

For the six months ended 30 June 2015 *(unaudited)*

	30 June 2015		30 June 2014	
	£'000	**£'000**	£'000	£'000
Opening net assets attributable to unitholders		**195,811**		168,796
Amounts receivable on issue of units	**2,591**		38,482	
Amounts payable on cancellation of units	**(36,463)**		(4,060)	
		(33,872)		34,422
Stamp duty reserve tax		**–**		(4)
Change in net assets attributable to unitholders from investment activities		**22,346**		(1,644)
Retained distribution on accumulation units		**1,704**		1,387
Closing net assets attributable to unitholders		**185,989**		202,957

Balance Sheet

As at 30 June 2015 *(unaudited)*

	30 June 2015		31 December 2014	
	£'000	**£'000**	£'000	£'000
Fixed Assets:				
Investments		**188,445**		186,258
Current Assets:				
Debtors	**1,040**		10,143	
Cash and bank balances	**–**		1,866	
Total other assets		**1,040**		12,009
Total assets		**189,485**		198,267
Liabilities:				
Creditors	**(1,700)**		(1,534)	
Bank overdraft	**(596)**		–	
Distribution payable on income units	**(1,200)**		(922)	
Total liabilities		**(3,496)**		(2,456)
Net assets attributable to unitholders		**185,989**		195,811

Cash Flow Statement

For the six months ended 30 June 2015 *(unaudited)*

	30 June 2015 £'000	30 June 2014 £'000
Net cash inflow from operating activities	**2,584**	1,388
Investing activities		
Purchases of investments	**(31,944)**	(65,172)
Sales of investments	**52,682**	27,550
Cash inflow/(outflow) from investing activities	**20,738**	(37,622)
Financing activities		
Amounts received from issue of units	**11,858**	39,603
Amounts paid on cancellation of units	**(36,714)**	(3,692)
Distributions paid	**(922)**	(552)
Interest paid	**(6)**	–
Cash (outflow)/inflow from financing activities	**(25,784)**	35,359
Decrease in cash and cash equivalents	**(2,462)**	(875)
Cash and cash equivalents at the start of the period	**1,866**	2,100
Cash and cash equivalents at the end of the period	**(596)**	1,225

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 2014 and are described in those financial statements. In particular, all investments have been valued at their fair value, which, with the exception of one unquoted investment valued at £Nil, is represented by the bid price at the close of business on 30 June 2015.

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

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 2015 **£'000**	June 2014 £'000
Interim distribution	**2,904**	2,276
Income deducted on cancellation of units	**104**	30
Income received on creation of units	**(28)**	(125)
Distributions	**2,980**	2,181

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

	June 2015 **£'000**	June 2014 £'000
Net revenue after taxation	**2,522**	1,697
Add: Manager's periodic fee taken to capital	**458**	484
Distributions	**2,980**	2,181

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

Risk and Reward Profile

1	2	3	4	5	6	7

Lower potential risk/reward higher potential risk/rewards

The indicator above illustrates the position of this Fund on a standard risk/reward category scale. The category reflects the volatility of returns over the past 5 years.

Please note that past performance is not a guide to future performance. The risk category is not guaranteed and may shift 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.

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 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 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

Aberforth Unit Trust Managers Limited*
14 Melville Street
Edinburgh EH3 7NS
Telephone – Dealing: 0345 608 0940
– Enquiries: 0131 220 0733
Email: enquiries@aberforth.co.uk
Email (Dealing):
ordergroup@capitafinancial.com
www.aberforth.co.uk

Trustee

National Westminster Bank plc*
Corporate Banking
The Younger Building
1st Floor, 3 Redheughs Avenue
Edinburgh EH12 9RH

Investment Adviser

Aberforth Partners LLP*
14 Melville Street
Edinburgh EH3 7NS

Registrar

Capita Financial Administrators Limited*
2 The Boulevard
City West One Office Park
Gelderd Road
Leeds LS12 6NT
Telephone: 0345 608 0940

Custodian

The Northern Trust Company*
50 Bank Street
Canary Wharf
London E14 5NT

Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

**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 various transaction networks including EMX and Calastone. 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.

Information on Aberforth Unit Trust Managers Limited

The Manager is wholly owned by Aberforth Partners LLP ("Aberforth"). 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 £2.3 billion (as at 30 June 2015). Aberforth is wholly owned by six partners – five investment managers and an Operations Partner. The investment managers work as a team managing the Fund's portfolio on a collegiate basis.

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