Aberforth UK Small Companies Fund

Half Yearly Report

30 June 2024

Investment Objective

The investment objective of 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.

*From 1 January 2024, the Numis Smaller Companies Index (excluding Investment Companies) was renamed the Deutsche Numis Smaller Companies Index (excluding Investment Companies).

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 2024 (the date of the last annual index rebalancing), the index included 353 companies, with an aggregate market capitalisation of £143 billion. Its upper market capitalisation limit was £1.7 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 2024[1]	2 January 2024[1]
Accumulation Units	Issue Price	£348.66	£307.98
	Cancellation Price	£342.79	£302.03
Income Units	Issue Price	£222.26	£199.49
	Cancellation Price	£218.52	£195.64
	Yield	3.4%	3.8%
	Dealing spread	1.7%	1.9%

Charges	30 June 2024	31 December 2023
Initial charge	Nil	Nil
Ongoing charges[2]	0.80%	0.82%
Exit charge	Nil	Nil

[1] Prices stated are for the first valuation point after the period end, being the distribution ex-dividend date.
[2] 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.

Performance Summary

	The Fund[1] (%)	Index[2] (%)
6 months to 30 June 2024	12.6	5.4

Net Asset Value (Post Distribution)

	30 June 2024	31 December 2023
Total Net Assets	£155.0m	£136.1m
Accumulation units in issue	277,416.137	280,295.055
Income units in issue	274,266.779	257,415.727
NAV per unit – accumulation	£342.81	£304.49
NAV per unit – income	£218.53	£197.23

Historical Returns

Period	Discrete Annual Returns (%) The Fund[1]	Index[2]
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
1 year to 30 June 2020	-23.8	-15.0

Periods to 30 June 2024	Cumulative Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2021	8.7	-1.0
5 years from 30 June 2019	41.5	26.1
10 years from 30 June 2014	81.9	70.9
15 years from 30 June 2009	359.9	346.5
Since inception on 20 March 1991	3,513.8	1,758.0

Periods to 30 June 2024	Annualised Returns (%) The Fund[1]	Index[2]
3 years from 30 June 2021	2.8	-0.3
5 years from 30 June 2019	7.2	4.7
10 years from 30 June 2014	6.2	5.5
15 years from 30 June 2009	10.7	10.5
Since inception on 20 March 1991	11.4	9.2

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. 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.

Changes to Prospectus

During the period, the Prospectus was updated:-

1. to include a definition of the DNSCI (XIC) and changes throughout the prospectus to reflect the addition of “Deutsche” to the name of the index when referred to;
2. to remove C.N. Watt from the list of directors;
3. to update the address of the Funds’ Registrar;
4. to update the status of the index as at 1 January 2024;
5. to remove remaining references to Covid-19; and
6. 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 is available on request and on its website www.aberforth.co.uk.

Investment Review

Over the six months to 30 June 2024, the Fund’s net asset value total return was +12.6%. This compares with a +5.4% return from the Fund’s benchmark, the DNSCI (XIC), and with a +7.4% return from large companies in the form of the FTSE All-Share.

This good start to 2024 has its roots in the very low valuations ascribed by the stockmarket to small UK quoted companies as 2023 drew to a close – with sentiment so negative, it was never going to take much to bring improved investment performance. The first half has indeed brought encouraging developments for the UK’s economy, its politics and its stockmarket.

- On the economic front, recession has been a persistent concern over the past two years. Higher inflation and interest rates threatened a slowdown in domestic activity, which became noticeable in the trading statements of smaller companies from the second quarter of 2023. We now know that there was indeed a recession in the second half of last year. It was, though, a mild and short downturn, much less severe than some commentators had expected. Growth remains subdued, but, with the rate of inflation easing, there is the prospect of lower interest rates later in the year. In turn, more accommodating monetary policy should herald more favourable trading conditions for companies and an upturn in the profit cycle.

Manager's Report

- To many outside observers, the UK's political situation since the EU referendum has been baffling. Perceptions of political dysfunction have discouraged investment in UK equities and affected their valuation relative to other markets. However, the UK's seeming monopoly on political uncertainty is becoming less clearcut. On the one hand, the General Election has delivered a government with a decisive majority that should not be in thrall to the more extreme elements of the ruling party. On the other hand, the politics of several other western democracies threaten to become less certain. The EU elections have seen an upswing in support for populist parties and have precipitated a potentially destabilising parliamentary election in France. Meanwhile, the US faces its own democratic test later in the year, with the outcome still far from certain.
- Concerns that the UK stockmarket may not be fit for purpose intensified in 2023 when Arm, the semiconductor business, chose to list in the US. Before that, there was a broadening recognition by government and regulators that the UK's capital markets could be improved. A slew of initiatives – such as the Edinburgh Reforms, the Mansion House Compact, the FCA's review of listing rules and consultation for a UK ISA – has followed. It is easy to be sceptical about each of these in isolation, but official recognition of the issue and the general direction of travel are encouraging. However, taking a step back, it is worth reflecting on whether the UK stockmarket has a particular problem. After all, de-equitisation and the loss of companies to private capital have been features of many markets for two decades. The unusual stockmarket in the global context has not been the UK, but the US with the extraordinary and incredible valuations accorded to a small number of technology giants. From their daily interactions with the UK stockmarket, the Manager believes that it can value companies fairly over time. The valuation process may be complicated by concerns about the economic cycle and by politics, but these ebb and flow and currently enhance the opportunity in UK equities.

As equity investors mull this opportunity, the first half of 2024 brought clear evidence of how gaps between stockmarket valuations and companies' intrinsic value can be bridged – M&A activity continued at an elevated rate. Larger companies, overseas companies and private equity have identified the opportunity in depressed UK valuations and are emerging as the marginal buyers of UK equities.

Over the six months, the investment universe saw agreed bids for seven companies announced and there were numerous approaches for other companies. Of the agreed deals, the Fund had holdings in three, which together accounted for around one third of the Fund's out-performance against the DNSCI (XIC) in the period. Throughout its history, the Fund's performance tends to have benefited from M&A – part of the Manager's investment approach is to consider who might want to own a company if the stockmarket proves unwilling to value it appropriately. However, given how low valuations are at present, there is a heightened risk that companies are sold too cheaply. Some company boards, influenced by the pervasive gloom about the UK and sometimes encouraged by other shareholders, have been too quick to yield to takeover interest.

Where takeover valuations fall short of its determination of intrinsic value, the Manager votes against the proposed deals or engages to seek improved terms from the acquirers. However, the chance of a better outcome for shareholders is improved by timely consultation by boards of target companies before they agree to a deal. In order to engage constructively, the Manager is prepared to be taken inside for extended periods. To be clear, the purpose of these engagement efforts is not to protect the UK stockmarket but to improve investment results for the Fund's investors.

Manager’s Report

Analysis of performance and portfolio characteristics

Over the six months to 30 June 2024, the Fund’s net asset value total return was +12.6% and the DNSCI (XIC)’s was +5.4%. An analysis of the difference between the two numbers is shown in the table below. The most significant influence on the performance attributable to the portfolio of investments was M&A activity: as noted above, the three companies that announced agreed bids in the period accounted for 240 basis points of relative performance.

For the six months ended 30 June 2024	Basis points
Attributable to the portfolio of investments, based on mid prices (after transaction costs of 8 basis points)	**764**
Movement in mid to bid price spread	11
Cash/other	(19)
Management fee	(37)
Other expenses	(5)
Total attribution based on bid prices	**714**

Note: 100 basis points = 1%. Total Attribution is the difference between the Fund’s total return and the Benchmark Index (i.e. the Fund = 12.57%; Benchmark Index = 5.43%; difference is 7.14% being 714 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 2024.

Portfolio characteristics	**30 June 2024**		30 June 2023	
	The Fund	**DNSCI (XIC)**	The Fund	DNSCI (XIC)
Number of companies	**77**	**339**	78	339
Weighted average market capitalisation	**£624m**	**£986m**	£525m	£945m
Weighting in “smaller small” companies*	**56%**	**27%**	60%	31%
Portfolio turnover over prior 12 months	**22%**	**N/A**	29%	N/A
Active share	**73%**	**N/A**	76%	N/A
Price earnings (PE) ratio (historical)	**10.2x**	**13.5x**	7.1x	10.8x
Dividend yield (historical)	**3.8%**	**3.4%**	4.2%	3.5%
Dividend cover (historical)	**2.6x**	**2.2x**	3.4x	2.6x

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

Manager’s Report

Style & size

The Manager’s value investment style has been helpful to the Fund’s returns since the start of the pandemic rally in late 2020. Higher inflation and interest rates have contributed to a more favourable environment for the value investor. So far in 2024, the London Business School’s analysis of style effects within the DNSCI (XIC) suggests little difference between the performances of the index’s value and growth cohorts, with the latter very slightly ahead of the former. This would imply that style did not have a meaningful effect on the Fund’s relative returns in the six month period.

Size positioning relative to the DNSCI (XIC) was more helpful. The Fund retains its higher exposure to “smaller small” companies. FTSE 250 stocks represent 73% of the total value of the DNSCI (XIC) but only 44% of the Fund’s portfolio. The Manager’s preference for the smaller non FTSE 250 companies is motivated by their lower valuations. Over the six months to 30 June 2024, “smaller small” companies out-performed the FTSE 250, which indicates a boost to the Fund’s return from its size positioning.

Balance sheets

The table below shows the balance sheet profile of the portfolio and of the Tracked Universe, which is a subset of the DNSCI (XIC). It comprises 227 companies, which the Manager follows closely and which together represent 98% by value of the total DNSCI (XIC) index.

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Portfolio: 2024	34%	45%	14%	7%
Tracked Universe: 2024	37%	39%	17%	6%

*Includes loss-makers and lenders

Notwithstanding the recession in the second half of 2023, small companies’ balance sheets remain in good condition. The table above shows that over one third of both the investment universe and the Fund’s portfolio is represented by companies with net cash on their balance sheets. This resilience has allowed companies to continue to invest despite the tougher trading conditions. The ratio of capital expenditure to depreciation for companies with December year ends, which reported their 2023 results in the first quarter of 2024, was a healthy 1.2x. Balance sheet strength has also contributed to an upsurge in share buy-back activity. Fourteen of the Fund’s holdings repurchased shares in the first half of 2024, as boards sought to take advantage of depressed stockmarket valuations.

Income

The table below divides the Fund’s 77 holdings in categories that are determined by each company’s most recent dividend action. The balance of the analysis is positive, with the most populated category being Increased Payers.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	New/Returner
14	15	12	34	2

Manager's Report

The main change compared with twelve months ago is the higher number of Cutters. This reflects the recession and more challenging trading conditions in the second half of 2023.

The average historical yield of the Fund's 77 holdings was 3.8% at 30 June 2024, which is down from 4.2% twelve months earlier. Dividend cover has declined from 3.4x to 2.6x. This is because dividends have proved more resilient than have profits through the recent downturn. Such resilience reflects the strong balance sheets previously described. It is also influenced by a general appreciation among investee company boards of the importance of dividends to their investors, particularly when broad interest in UK equities is at a low ebb.

Active share

Active share is a measure of how different a portfolio is from an index. The ratio is calculated as half of the sum of the absolute differences between each stock's weighting in the index and its weighting in the portfolio. 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 2024, it stood at 73%.

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's term this dynamic the "value roll" and it has made an important contribution to 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.

Over the twelve months to 30 June 2024, portfolio turnover, defined as the lower of purchases and sales divided by average portfolio value, was 22%. This is below the long term underlying average of 34%. Notwithstanding the Fund's positive return in the six month period, this suggests that there was less opportunity for "value roll" than usual. This is another symptom of the deep under-valuation of small UK quoted companies – if the stockmarket does not reflect their true value, there is every incentive to maintain the position.

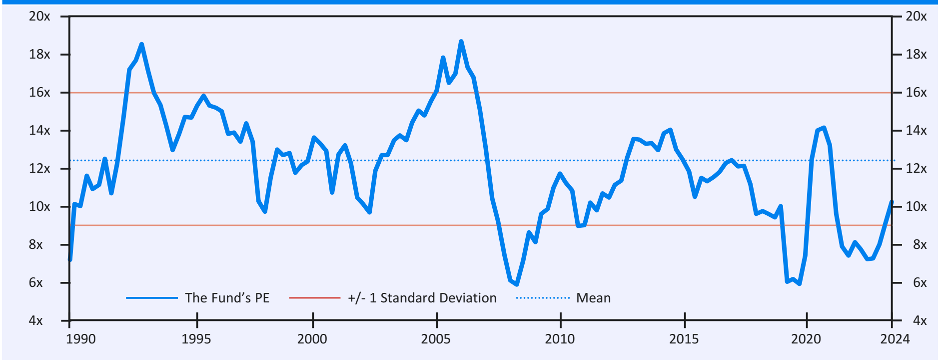
Valuations

The valuations of UK equities in general and small UK quoted companies in particular remain attractive. The Manager's Report published in January described how the Fund benefited from three layers of valuation advantage: (1) the PE ratio of UK equities is lower than that of the rest of the world; (2) the PE of smaller companies is lower than that of large UK companies; and (3) the PE ratio of the Fund's portfolio is lower than that of small UK quoted companies. This triple discount was still in place at 30 June 2024, but, importantly, there are signs that a re-rating is under way.

Manager’s Report

The chart below depicts the historical PE ratio of the Fund’s portfolio. At the start of 2024, the PE was 7.9x, a rating consistent with recession. The previous three occasions on which the PE has reached this level have come with economic downturns: the early 1990s recession at the left of the chart, the global financial crisis in the middle and the pandemic recession in 2020. On each occasion, the de-rating of the portfolio’s companies has been followed by a re-rating, as the stockmarket moves from worrying about falling earnings to enthusing about earnings recovery. The chart indicates that we are in the early stages of a similar recovery, with the average PE of the portfolio having risen to 10.2x at 30 June 2024.

Aberforth’s historical PE ratio



Both the numerator and the denominator of the PE ratio contributed to its rise over the first six months of 2024. Share prices have risen even as earnings reported by companies have declined – data from London Business School suggest that small company profits declined by 8% in 2023. The stockmarket looks ahead and, gaining confidence from easing inflation and a likely peak in interest rates, is starting to anticipate a turn in the profits cycle. The opportunity for recovery in profits comes from both the impact of last year’s recession and the pandemic’s lingering effects, such as the extensive supply chain problems.

As the chart suggests, there is scope for a further re-rating as profits recover. Of the three earlier recessions in the Fund’s lifetime, one – the early 1990s downturn – was caused by inflation and the monetary policy reaction. The table below shows how the recession played out and its impact on small UK quoted companies.

Manager's Report

	1990	1991	1992	1993	Cumulative 1991-93
UK economic context					
GDP YoY	+0.6%	-1.4%	+0.2%	+2.3%	+1.1%
CPI YoY	+7.0%	+7.5%	+4.2%	+2.4%	+15.9%
Year end base rates	13.9%	10.4%	6.9%	5.4%	-
DNSCI (XIC) experience*					
Year end PE ratio	8.2x	11.3x	13.9x	18.6x	-
Implied earnings growth	+1.8%	-13.7%	-13.0%	+6.2%	-20.3%
Total return	-23.5%	+18.9%	+7.1%	+41.5%	+80.2%

*Taken or calculated from London Business School data

The table shows that small company share prices fell in 1990 as the market anticipated the recession in 1991 and two years of sharp declines in earnings. However, even as the profit downturn played out, share prices started to rise as the market was encouraged by lower interest rates to anticipate an upturn in earnings. That upturn duly arrived in 1993, which precipitated further share prices gains. Over the period, small company valuations took the strain as the year end PE ratio rose from 8.2x to 18.6x.

It is tempting to draw parallels between the early 1990s experience and the current situation. In 2022, the total return from small companies was -17.9% and the PE was 8.1x at the year end. In 2023, the recessionary conditions meant that earnings declined by 8.2%, but the total return from the asset class turned positive as the market started to anticipate recovery and took the year end PE ratio up to 12.8x. In 2024 so far, the total return has again been positive, even though earnings are likely to be flat to slightly down over the year as a whole. The market again seems enthused by the prospect of interest rate cuts, which in due course might bring an earnings recovery in 2025.

Clearly, much could change over coming months and there is no guarantee that the events of the early 1990s will be replicated. However, the experience then serves as a useful reminder of how the market gets to grips with inflection points in the economic cycle and looks through prevailing or near term gloom.

Outlook and conclusion

Around the world, financial markets remain focused on the US interest rate cycle. US economic data released through the first half of the year proved more robust than anticipated – disinflation is happening, but uncertainty about the future path of inflation remains higher than in the years before the pandemic. This has contributed to a delay to the first cut to US interest rates. Until the Federal Reserve moves, it is unlikely that other central banks will be able to ease monetary policy in a meaningful fashion. Meanwhile, financial markets are also contending with elevated geopolitical risk. Russia's invasion of Ukraine continues, while Israel and Hamas remain in conflict. Elsewhere, the implications of recent elections and of those to come add to the uncertainty. An additional complication for markets has been the burgeoning fascination for AI. This promises significant productivity benefits for many companies in due course but benefits a very small number of stocks in the near term. Nvidia and its ilk have assumed truly incredible valuations and, with their apparent promise of secular and low risk growth, would appear to be sucking interest from other equities.

This has been an invidious backdrop for many asset classes, small UK quoted companies included. However, such conditions give rise to investment opportunities as the stockmarket inevitably overreacts in both directions. There are several strands to the investment opportunity in front of the Fund today.

- The valuations of UK assets have attracted a discount since the EU referendum as political uncertainty has deterred investment activity. By giving Labour a convincing majority, the recent election promises a period of greater stability. It will take time to understand their priorities and the impact of their policies on the economy and markets, but it is feasible that the UK could emerge from 2024 with a less uncertain political situation than many of its western peers, which could help the relative valuation of UK assets.
- The companies available to the Fund in the investment universe have good and well managed businesses. Their balance sheets are strong and in normal economic conditions their profits grow. Using the five years up to the end of 2019, to exclude the pandemic and its aftereffects, small company dividend growth averaged 8% per annum. When the pandemic then hit dividends by one third, they recovered fully in less than two years. Such growth and resilience are not characteristics of poor companies.
- Having endured the downside of an economic slowdown, the market is now contemplating an upturn in the economic cycle. Corporate profitability should benefit as interest rates decline and, contemporaneously, market valuations should also improve as has happened in previous recoveries.
- The on-going high rate of M&A activity is highlighting the attractiveness of UK valuations and the quality of small UK quoted companies. After all, it is unlikely that overseas companies and private equity firms are buying UK companies merely to benefit from a cyclical recovery in profits. The emergence of these M&A buyers, together with the upsurge in share buy-backs by smaller companies, introduces marginal demand from informed buyers for the asset class and mitigates the effect of retail and institutional selling.

It is encouraging that these factors have begun to be recognised in stronger share prices and higher valuations over recent months. The path to a fuller and merited revaluation of the portfolio's holdings is unlikely to be smooth, but the Fund is well placed to generate good medium and long term investment returns for its investors.

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

30 July 2024

Long Term Investment Record

5 Year Rolling Performance

Period	Annualised Returns (%) The Fund[1]	Annualised Returns (%) Index	Cumulative Returns (%) The Fund[1]	Cumulative Returns (%) Index
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
5 years to 30 June 2020	-2.9	0.9	-13.7	4.4

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

Past performance is not a guide to future performance.

Historical Returns

Periods to 30 June 2024	Annualised Returns (%) The Fund[1]	Annualised Returns (%) Index	Cumulative Returns (%) The Fund[1]	Cumulative Returns (%) Index
2 years from 30 June 2022	14.4	9.3	30.9	19.6
3 years from 30 June 2021	2.8	-0.3	8.7	-1.0
4 years from 30 June 2020	16.7	10.4	85.6	48.3
5 years from 30 June 2019	7.2	4.7	41.5	26.1
6 years from 30 June 2018	4.1	3.0	27.2	19.3
7 years from 30 June 2017	4.9	3.6	39.4	28.4
8 years from 30 June 2016	8.2	6.5	87.3	65.8
9 years from 30 June 2015	5.4	5.0	60.2	54.9
10 years from 30 June 2014	6.2	5.5	81.9	70.9
15 years from 30 June 2009	10.7	10.5	359.9	346.5
Since inception on 20 March 1991	11.4	9.2	3,513.8	1,758.0

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 2024

Group 1: Units purchased prior to 1 January 2024

Group 2: Units purchased on or after 1 January 2024

Interim Distribution	Net Income June 2024	Equalisation† June 2024	Distribution/ Accumulation June 2024	Distribution/ Accumulation June 2023
Income units (payable 31 August 2024)				
Group 1	356.8716p	–	**356.8716p**	365.7168p
Group 2	136.0786p	220.7930p	**356.8716p**	365.7168p
Accumulation units				
Group 1	550.9452p	–	**550.9452p**	543.2983p
Group 2	210.0807p	340.8645p	**550.9452p**	543.2983p

† 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 2024

Holding	Security	30 June 2024 Value £'000	% of Total Net Assets	% of the Index[1]	31 December 2023 % of Total Net Assets	% of the Index[1]
Software and Computer Services		**4,864**	**3.2**	**6.3**	1.9	6.8
756,368	MONY Group	1,679	1.1			
2,087,200	NCC Group	3,185	2.1			
Technology Hardware and Equipment		**1,466**	**0.9**	**1.0**	1.2	1.0
1,004,359	TT Electronics	1,466	0.9			
Telecommunications Equipment		**741**	**0.5**	**0.7**	0.5	0.5
405,200	Spirent Communications	741	0.5			
Telecommunications Service Providers		**2,516**	**1.6**	**3.1**	1.3	2.4
953,137	Zegona Communications	2,516	1.6			
Health Care Providers		**–**	**–**	**0.7**	–	0.7
Medical Equipment and Services		**–**	**–**	**0.1**	–	0.1
Pharmaceuticals and Biotechnology		**–**	**–**	**2.5**	–	2.7
Banks		**1,981**	**1.3**	**2.7**	1.7	3.2
467,584	Close Brothers Group	1,981	1.3			
Finance and Credit Services		**3,397**	**2.2**	**1.9**	2.2	1.9
2,675,151	International Personal Finance	3,397	2.2			
Investment Banking and Brokerage Services		**15,489**	**9.9**	**13.1**	7.1	12.1
286,207	City of London Investment Group	1,059	0.7			
1,631,975	CMC Markets	5,328	3.4			
2,514,777	Jupiter Fund Management	1,934	1.2			
2,228,100	Quilter	2,676	1.7			
149,867	Rathbones Group	2,518	1.6			
662,400	XPS Pensions Group	1,974	1.3			
Life Insurance		**4,192**	**2.7**	**1.0**	2.5	0.9
1,017,117	Hansard Global	450	0.3			
3,563,759	Just Group	3,742	2.4			
Non-life Insurance		**4,773**	**3.1**	**1.8**	3.1	1.8
571,311	Conduit Holdings	2,819	1.8			
1,300,850	Sabre Insurance Group	1,954	1.3			
Real Estate Investment and Services		**2,320**	**1.5**	**3.0**	1.2	2.8
3,536,186	Foxtons	2,320	1.5			
Real Estate Investment Trusts		**4,847**	**3.1**	**5.4**	3.1	5.7
614,000	Empiric Student Property	560	0.4			
713,700	Helical	1,766	1.1			
425,051	Workspace Group	2,521	1.6			
Automobiles and Parts		**4,275**	**2.8**	**1.2**	2.2	1.6
2,308,700	Dowlais Group	1,688	1.1			
1,987,310	TI Fluid Systems	2,587	1.7			

Portfolio Statement

As at 30 June 2024

Holding	Security	Value £'000	30 June 2024 % of Total Net Assets	30 June 2024 % of the Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of the Index[1]
Consumer Services		**937**	**0.6**	**0.1**	0.5	–
1,164,547	RM	937	0.6			
Household Goods and Home Construction		**5,414**	**3.5**	**0.8**	5.0	0.8
1,263,748	Crest Nicholson	3,036	2.0			
910,547	Headlam Group	1,234	0.8			
222,100	MJ Gleeson	1,144	0.7			
Leisure Goods		**–**	**–**	**0.5**	–	0.3
Personal Goods		**–**	**–**	**1.2**	–	1.8
Media		**9,730**	**6.3**	**3.1**	5.7	2.5
1,729,750	Centaur Media	657	0.4			
4,693,229	National World	798	0.5			
2,827,562	Reach	2,779	1.8			
267,046	STV Group	710	0.5			
1,230,429	Wilmington Group	4,786	3.1			
Retailers		**5,683**	**3.7**	**3.9**	3.7	4.2
2,480,835	Card Factory	2,305	1.5			
1,107,813	DFS Furniture	1,219	0.8			
868,700	Halfords Group	1,220	0.8			
2,301,419	Topps Tiles	939	0.6			
Travel and Leisure		**8,951**	**5.7**	**7.0**	6.6	7.7
1,035,287	Hostelworld Group	1,656	1.1			
6,125,456	Marstons	1,905	1.2			
1,109,472	Mitchells & Butlers	3,162	2.0			
3,276,449	Rank Group	2,228	1.4			
Beverages		**2,919**	**1.9**	**0.9**	1.8	0.8
1,840,444	C&C Group	2,919	1.9			
Food Producers		**5,256**	**3.4**	**2.9**	1.5	2.3
2,540,426	Bakkavor Group	3,607	2.3			
183,800	Hilton Food Group	1,649	1.1			
Personal Care, Drug and Grocery Stores		**1,117**	**0.7**	**1.0**	0.6	1.4
806,359	McBride	1,117	0.7			
Construction and Materials		**7,341**	**4.7**	**6.7**	5.7	6.2
1,366,938	Eurocell	1,763	1.1			
1,048,269	Galliford Try Holdings	2,495	1.6			
446,155	Ricardo	2,173	1.4			
1,200,100	Severfield	910	0.6			

Portfolio Statement

As at 30 June 2024

Holding	Security	30 June 2024 Value £'000	30 June 2024 % of Total Net Assets	30 June 2024 % of the Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of the Index[1]
Aerospace and Defense		**5,565**	**3.6**	**1.4**	3.7	1.4
234,293	Avon Protection	3,036	2.0			
1,582,777	Senior	2,529	1.6			
Electronic and Electrical Equipment		**7,972**	**5.2**	**2.7**	4.1	2.7
576,178	Dialight	1,164	0.8			
1,386,279	Morgan Advanced Materials	4,284	2.8			
171,000	XP Power	2,524	1.6			
General Industrials		**629**	**0.4**	**1.4**	0.5	1.3
530,500	Macfarlane Group	629	0.4			
Industrial Engineering		**9,649**	**6.2**	**2.1**	7.9	2.1
152,020	Bodycote	1,035	0.7			
494,877	Castings	1,772	1.1			
719,119	Vesuvius	3,319	2.1			
849,386	Videndum	2,421	1.6			
760,200	XAAR	1,102	0.7			
Industrial Support Services		**12,194**	**7.9**	**5.1**	8.7	5.4
2,000,391	De La Rue	1,916	1.2			
447,900	PageGroup	1,905	1.2			
142,640	PayPoint	906	0.6			
603,999	Robert Walters	2,639	1.7			
7,291,343	SIG	1,816	1.2			
2,799,845	Smiths News	1,635	1.1			
4,056,624	Speedy Hire	1,377	0.9			
Industrial Transportation		**8,236**	**5.3**	**3.1**	8.9	3.2
1,532,315	FirstGroup	2,424	1.6			
297,313	Fisher (James) & Sons	945	0.6			
114,100	VP	759	0.5			
975,829	ZIGUP	4,108	2.6			
Industrial Materials		**–**	**–**	**0.2**	–	0.1
Industrial Metals and Mining		**4,265**	**2.7**	**2.1**	3.3	2.4
1,747,110	Capital	1,747	1.1			
1,742,483	Ecora Resources	1,244	0.8			
403,694	Kenmare Resources	1,274	0.8			
Precious Metals and Mining		**3,408**	**2.2**	**1.7**	2.3	1.3
2,664,028	Centamin	3,221	2.1			
1,516,671	Gem Diamonds	187	0.1			
Chemicals		**–**	**–**	**2.9**	–	3.1

Portfolio Statement

As at 30 June 2024

Holding	Security	30 June 2024 Value £'000	30 June 2024 % of Total Net Assets	30 June 2024 % of the Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of the Index[1]
Oil, Gas and Coal		**2,654**	**1.7**	**4.0**	2.1	4.1
14,158,052	EnQuest	1,923	1.2			
3,480,061	Pharos Energy	731	0.5			
Alternative Energy		**–**	**–**	**0.3**	–	0.3
Electricity		**–**	**–**	**–**	–	–
Waste and Disposal Services		**–**	**–**	**0.4**	–	0.4
Investments as shown in the balance sheet		**152,781**	**98.5**	**100.0**	100.6	100.0
Net Current Assets/(Liabilities)		**2,256**	**1.5**	**–**	(0.6)	–
Total Net Assets		**155,037**	**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 2024.

Additional Portfolio Information

For the six months ended	30 June 2024 £'000	30 June 2023 £'000
Total Purchases after transaction costs	**17,428**	19,220
Total Sales after transaction costs	**16,071**	24,588

Statement of Total Return

For the six months ended 30 June 2024 *(unaudited)*

	30 June 2024		30 June 2023	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		**14,550**		(1,794)
Revenue	**2,707**		3,015	
Expenses	**(568)**		(592)	
Interest payable and similar charges	**(28)**		(5)	
Net revenue before taxation	**2,111**		2,418	
Taxation	**–**		(9)	
Net revenue after taxation		**2,111**		2,409
Total return before distributions		**16,661**		615
Distributions		**(2,441)**		(2,754)
Change in net assets attributable to unitholders from investment activities		**14,220**		(2,139)

Statement of Change in Net Assets attributable to Unitholders

For the six months ended 30 June 2024 *(unaudited)*

	30 June 2024		30 June 2023	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		**136,120**		141,905
Amounts receivable on issue of units	**11,770**		9,763	
Amounts payable on cancellation of units	**(8,601)**		(16,059)	
		3,169		(6,296)
Change in net assets attributable to unitholders from investment activities		**14,220**		(2,139)
Retained distribution on accumulation units		**1,528**		1,663
Closing net assets attributable to unitholders		**155,037**		135,133

Balance Sheet

As at 30 June 2024 *(unaudited)*

	30 June 2024 £'000	31 December 2023 £'000
Assets		
Fixed Assets:		
Investments	**152,781**	136,874
Current Assets:		
Debtors	**920**	269
Cash and bank balances	**2,862**	144
Total current assets	**3,782**	413
Total assets	**156,563**	137,287
Liabilities		
Creditors:		
Other creditors	**(547)**	(156)
Distribution payable on income units	**(979)**	(1,011)
Total liabilities	**(1,526)**	(1,167)
Net assets attributable to unitholders	**155,037**	136,120

Cash Flow Statement

For the six months ended 30 June 2024 *(unaudited)*

	30 June 2024 £'000	30 June 2023 £'000
Net cash inflow from operating activities	**2,204**	2,182
Investing activities		
Purchases of investments	**(17,020)**	(19,087)
Sales of investments	**15,978**	23,694
Cash (outflow)/inflow from investing activities	**(1,042)**	4,607
Financing activities		
Amounts received from issue of units	**11,304**	9,827
Amounts paid on cancellation of units	**(8,709)**	(16,008)
Distributions paid	**(1,011)**	(905)
Interest paid and similar charges	**(28)**	(4)
Cash inflow/(outflow) from financing activities	**1,556**	(7,090)
Increase/(decrease) in cash and cash equivalents	**2,718**	(301)
Cash and cash equivalents at the start of the period	**144**	2,426
Cash and cash equivalents at the end of the period	**2,862**	2,125

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 2023 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 2024.

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 2024 £'000	June 2023 £'000
Interim distribution	**2,507**	2,612
Income deducted on cancellation of units	**73**	180
Income received on creation of units	**(139)**	(38)
Distributions	**2,441**	2,754

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

	June 2024 £'000	June 2023 £'000
Net revenue after taxation	**2,111**	2,409
Add: Manager's periodic fee taken to capital	**328**	343
Add: Safe custody fee taken to capital	**2**	2
Distributions	**2,441**	2,754

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 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 recognised 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*
14 Melville Street
Edinburgh EH3 7NS
Telephone – Dealing: 0345 608 0940
– Enquiries: 0131 220 0733
Dealing: ordergroup@linkgroup.co.uk
Email: enquiries@aberforth.co.uk
Website: www.aberforth.co.uk

Registrar

Link Fund Administrators Limited*
(A Waystone Group Company)
PO Box 388
Unit 1, Roundhouse Road
Darlington
DL1 9UE
Telephone: 0345 608 0940

Trustee & Depositary

NatWest Trustee & Depositary Services Limited*
House A, Floor 0
Gogarburn
175 Glasgow Road
Edinburgh EH12 1HQ

Custodian

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

Investment Adviser

Aberforth Partners LLP*
14 Melville Street
Edinburgh EH3 7NS

Auditors

PricewaterhouseCoopers LLP
Atria One, 144 Morrison Street
Edinburgh EH3 8EX

**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 Link, the Registrar, using the address above or by email (ordergroup@linkgroup.co.uk). 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 Advisor"). 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 2024). 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.