Aberforth Smaller Companies Trust plc

Half Yearly Report

30 June 2022

Investment Objective

The investment objective of Aberforth Smaller Companies Trust plc ("ASCoT") is to achieve a net asset value total return (with dividends reinvested) greater than that of the Numis Smaller Companies Index (excluding Investment Companies ("NSCI (XIC)")) over the long term.

Investment Policy

The Company aims to achieve its objective by investing in small UK quoted companies. The Company's Investment Policy is set out in its Annual Report.

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All data throughout this Half Yearly Report are to, or as at, 30 June 2022 as applicable, unless otherwise stated.

Financial Highlights

Six months to 30 June 2022

Total Return Performance	%
Net Asset Value per Ordinary Share[1,5]	**-16.8**
Ordinary Share Price[3,5]	**-18.4**
Numis Smaller Companies Index (excluding Investment Companies)[2]	**-20.2**

	30 June 2022	31 December 2021	30 June 2021
Shareholders' Funds[4]	**£1,191m**	£1,473m	£1,502m
Market Capitalisation[5]	**£1,018m**	£1,288m	£1,355m
Actual Gearing[4]	**4.6%**	5.6%	5.1%
Ordinary Share Net Asset Value[4]	**1,373.14p**	1,674.35p	1,696.49p
Ordinary Share price[5]	**1,174.00p**	1,464.00p	1,530.00p
Ordinary Share discount[5]	**14.5%**	12.6%	9.8%

Cumulative Returns (%) Period to 30 June 2022	NAV[5]	Index[2,5]	Share Price[5]
1 year	-17.3	-17.2	-21.4
3 years	9.4	5.4	5.1
5 years	7.4	7.4	8.0
10 years	151.9	126.6	166.1
15 years	131.1	146.1	145.7
Since inception on 10 December 1990	3,303.1	1,762.5	2,907.6

1 Represents net asset value return with dividends reinvested.

2 Represents the return 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 2022 consisted of 337 companies, the largest market capitalisation of which was £1.6 billion and the aggregate market capitalisation of which was £156 billion.

3 Represents Ordinary Share price return with dividends reinvested.

4 UK GAAP Measure (refer to the glossary in the 2021 Annual Report).

5 Alternative Performance Measure (refer to the glossary in the 2021 Annual Report).

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.

Chairman's Statement

Review of performance

Investment returns in most stockmarkets around the world were negative in the first half of 2022. ASCoT was caught up in the general malaise and produced a net asset value total return of -16.8%. The discount between the share price and the net asset value widened, which meant that the share price total return was -18.4%.

Absolute performance was disappointing, but there was consolation in relative terms. ASCoT's net asset value total return was better than that of the investment benchmark. The total return of the Numis Smaller Companies Index (excluding investment companies) (NSCI (XIC)) was -20.2%. However, larger companies proved more resilient. The FTSE All-Share was down by just 4.6% in total return terms in the first half. This was due to the significance of commodity producers and defensive businesses among the index's membership. These companies were better suited to the troubled macro-economic and geopolitical climate of the first half.

Russia's shocking invasion of Ukraine has accentuated the lingering economic effects of the pandemic. Supply chains have been put under additional pressure and energy prices, already rising as demand recovered from the pandemic, have reached levels that threaten household budgets and business profitability alike. Inflation has therefore proved much less transient than many had hoped or expected. Central bankers have belatedly responded, and higher interest rates have added to concerns about a slowdown in economic activity or recession. This threat explains the weakness in share prices during the first half and is explored in more detail within the Managers' Report. Also examined therein is the value investment style, which has fared comparatively well amid inflation and tightening monetary policy to the benefit of ASCoT's relative performance.

Dividends

The first half's lower share prices contrast with another period of dividend growth for the investment universe as a whole and for the portfolio companies. After widespread dividend cuts amid the pandemic in 2020, the recovery started in 2021 and has continued in 2022, to the extent that ASCoT's investment income earned in the first half was above the expectations we held when the annual report was issued at the end of January. Good underlying progress was enhanced by five special dividends, though the contribution of special dividends to overall income was lower than in the same period last year. In total, investment income in the six months to 30 June 2022 was up by 52% year-on-year.

Clearly, this rate of progress is influenced by what is still a depressed base and is unsustainable. However, the Managers' current estimates suggest that ASCoT's investment income this year is on course to exceed its pre-pandemic levels. Risks to this outlook are a potential economic slowdown and the presently high rates of inflation, which may squeeze companies' profitability. Notwithstanding these risks, the Board's aim is to grow ASCoT's full year dividend, excluding any special dividend, in real terms. In making its decision about the interim dividend, the Board considered scenario analyses based on previous recessions and took into account the 59.0p per Ordinary Share of revenue reserves with which ASCoT entered 2022.

We are pleased to announce an interim dividend of 12.05p, which is 10% higher than the previous year's 10.95p. The increase is set above the anticipated inflation rate in December 2022, which is based on an average of forecasts aggregated by Bloomberg. Should this rate of

Chairman's Statement

growth also apply to the final dividend, the full year dividend would be funded from income earned in the year on the basis of current forecasts. The Board would encourage Shareholders, as they think about future dividends, to focus on the real – inflation adjusted – rate of progress.

The interim dividend will be paid on 26 August 2022 to Shareholders on the register as at close of business 5 August 2022. The ex dividend date is 4 August 2022. The Company operates a Dividend Reinvestment Plan, details of which are available from Aberforth Partners LLP or on its website, www.aberforth.co.uk.

Gearing

ASCoT has a £130m borrowing facility with The Royal Bank of Scotland International. It runs to June 2023, a term aligned with the three-year continuation vote cycle.

Throughout ASCoT's life, the Board has deployed gearing in a tactical fashion, seeking to take advantage of severe stress in stockmarkets and then to repay the debt once share prices have recovered. The most recent opportunity to gear came in the second quarter of 2020 with the pandemic. Gearing since then has enhanced ASCoT's investment returns, though it was disadvantageous as share prices fell in the first six months of 2022. Over this period, the gearing ratio declined from 5.6% to 4.6%, which is influenced by the timing of proceeds from sales of companies subject to takeover bids. The Managers' Report provides additional commentary on gearing.

Share buy-back

Authority to buy back up to 14.99% of outstanding Ordinary Shares was renewed at March's Annual General Meeting. In the six months to 30 June 2022, 1,216,342 shares were bought back and cancelled. The total value of these repurchases was £16.7m, on an average discount of 12.7%.

The Board continues to believe that, at the margin, buy-backs provide an increase in liquidity for those Shareholders wishing to realise their investment and, at the same time, deliver an economic uplift for those Shareholders wishing to remain invested with the Company.

Board changes

The Board was pleased to announce the appointment of Patricia Dimond as a non-executive Director and Audit Committee member with effect from 3 March 2022. Patricia has had an international career with over 30 years in the consumer, retail and financial sectors. As an industry executive or strategic adviser she has worked with FTSE 100, private equity and founder/owner managed companies with a focus on finance, strategy and corporate governance.

Conclusion

We are confronted by an unholy combination of war in Ukraine, potential famine stemming from the conflict and lingering pestilence in China. High rates of inflation are proving much more persistent than many had expected. It is widely believed that rising interest rates and high energy prices will tip economies into recession within the next twelve months. The outlook is all the murkier for a political situation in which leaders lurch reactively from one issue to the next apparently without strategy and in which national agendas increasingly impede international co-operation.

For financial markets, these issues cast doubt on the comfortable assumptions of recent decades, when the disinflationary tide allowed central banks to resort to ever looser monetary policy in order to offset economic threats. So, echoing my words in the annual report six months ago, I remain perplexed that government bond markets are not more concerned. Certainly, yields have risen sharply, but they remain well below present rates of inflation. The reaction of equity markets is more understandable – the recession fear has precipitated the 20.2% fall for the NSCI (XIC) this calendar year. And within equity markets, the investment styles are behaving in a manner that one might expect in an environment of high inflation and rising rates, with value out-performing to ASCoT's benefit.

It is heartening that the Managers' patience and commitment to their value investment philosophy is being rewarded after growth stocks' lengthy hegemony took them to what are proving unsustainable levels. This is a salutary reminder that exogenous factors, such as inflation and monetary policy, play important roles in how the stockmarket values companies and that, while these factors can dominate for extended periods, they are not constants.

Turning to ASCoT's portfolio, if it is to be tested by recession, I take comfort from the resilience displayed by the investee companies through the challenges of recent years. The Managers' Report describes the balance sheet strength currently enjoyed by the holdings and how this is contributing to the on-going recovery in dividends. I would also note that valuations, whether historical or forecast, are already at unusually low levels, which suggests to me that some of the big picture concerns are already reflected in share prices. Indeed, to judge by the frequency of takeovers, that would seem to be an opinion shared by other companies and by private equity investors. The Board is optimistic that the stockmarket will also come to that view in due course, which should contribute to good investment returns for ASCoT's Shareholders in the years to come.

As always, my fellow directors and I welcome the opportunity to discuss ASCoT with Shareholders. My email address is set out below.

Richard Davidson
Chairman
26 July 2022
richard.davidson@aberforth.co.uk

Managers' Report

Introduction

The good stockmarket returns of 2021 feel like a distant memory as several macro-economic factors combined to depress valuations in the first half of 2022. Larger UK companies did, though, perform relatively well. The FTSE All-Share fell by 4.6% and was helped by its high exposure to commodity producers and its low exposure to technology – characteristics that had previously proved distinctly unhelpful for several years. ASCoT's benchmark index – the NSCI (XIC) has different sector exposures and, consequently, its total return of -20.2% was more in keeping with those of other equity markets around the world. ASCoT was similarly affected, though, for reasons set out later in this report, fared relatively well. Its net asset value total return was -16.8%.

The negative shift within stockmarkets was due to a confluence of macro-economic challenges, several of which were already in evidence last year.

- The new challenge was Russia's invasion of Ukraine. Beyond the suffering of the Ukrainian people, the immediate impact was to raise risk aversion as financial markets contemplated a war in Europe involving a nuclear power. The economic effects stem from Ukraine's industrial and agricultural importance, which intensifies pre-existing supply chains constraints and inflationary pressures. Over the longer term, the war and the unintended consequences of the sanctions deployed against Russia may accentuate pre-existing geopolitical tensions between the world's major economic regions. This threatens to undermine the benefits of globalisation, which has been a disinflationary force over recent decades.
- The oil price has rebounded sharply from its mid pandemic low point. Recovering demand has been mainly responsible, but the supply-side has also been influential as a result of years of under-investment in hydrocarbon exploration. The supply pressures have been exacerbated by the Ukrainian war, as Russian energy sales to Europe are brought into question. The consequent jump in oil and gas prices has severely aggravated the cost-of-living pressures that are being felt in the UK and elsewhere. Ultimately, high energy prices are an effective tax on economic activity and complicate the decision-making of central banks as they raise interest rates to address inflation. A longer term consequence of the war is likely to be a reprioritisation of energy security. Notwithstanding arbitrary windfall taxes on oil companies, this may involve renewed investment in hydrocarbon exploration to ease the transition to alternative energy sources.
- COVID is still with us. While widespread and efficient vaccine campaigns have allowed western economies to live with the virus, that is not the case in China. Important manufacturing centres, such as Shanghai, were subject to strict lockdowns through much of the first half of 2022. This has again worsened the supply chain difficulties and inflationary pressures that have plagued economies since demand started to recover in 2021.
- Inflation has proved considerably more persistent than most had expected. Caught out, central banks are now using their most aggressive rhetoric in decades. Their words, though, have not yet translated into meaningful action: interest rates are now rising in the UK, US and EU, but they remain deeply negative in real inflation-adjusted terms. The same is true for government bond yields, despite them more than doubling in the first half to end the period at 2.2% in the UK and 3.0% in the US. Perhaps bond markets are confident that the presently severe inflationary pressures will abate or that the relatively high levels of debt in western economies will require smaller interest rates rises to affect activity. However, the effect of wage settlements on inflation rates is yet to be determined. Moreover, the historical record for central banks' commitment to dealing with inflation is mixed, especially when they are under political pressure to achieve the so-called "soft landing" for the economy.

The combination of these challenges has been to increase the risk of a recession later this year or in early 2023. Since most companies within the NSCI (XIC) and the portfolio are sensitive to the economic cycle, the impact of a potential recession on corporate profitability explains much of the pronounced weakness in share prices experienced in the first half of 2022.

Stockmarkets have also had to contend with pressure on the valuation ratios ascribed to company profits. The war, tightening monetary policy and rising bond yields have served to shorten investment horizons. In other words, investors are now less comfortable to ascribe high valuation ratios to profits or, in the case of loss-making companies, to their sales. The valuation stretch within equity markets – that is, the gap between the highest and the lowest PE ratios – has contracted markedly. This has particularly penalised the share prices of companies that previously enjoyed higher PE ratios, typically the growth stocks, and other long duration assets with little near term cash flow. Consequently, the value style has enjoyed a period of strong relative performance. This valuation effect has been of benefit to ASCoT and, by mitigating the corporate profitability effect previously described, contributed to ASCoT's out-performance.

Analysis of performance

To recap, ASCoT's net asset value total return in the first six months of 2022 was -16.8%, which compares with -20.2% for the NSCI (XIC). The table below and following paragraphs explain this performance and provide additional detail about the portfolio.

For the six months ended 30 June 2022	Basis points
Attributable to the portfolio of investments, based on mid prices (after transaction costs of 7 basis points)	**389**
Movement in mid to bid price spread	23
Cash/gearing	(42)
Purchase of ordinary shares	16
Management fee	(35)
Other expenses	(3)
Total attribution based on bid prices	**348**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = -16.76%; Benchmark Index = -20.24%; difference is 3.48% being 348 basis points).

Style

It was a relatively good period for the Managers' value style. Shorter investment horizons, higher bond yields and a narrower range of PE ratios within equity markets worked to the detriment of longer duration growth stocks and to the relative benefit of value stocks. The London Business School produces style data for the NSCI (XIC), using price to book ratios to categorise stocks as growth or value. This analysis is a useful indication of the pervading style climate, though the Managers' investment process takes into account numerous other fundamental factors and utilises a broader range of valuation metrics, including EV/EBITA, free cash flow and dividend yields. For the first six months of 2022, the London Business School calculates that its value cohort out-performed its growth cohort by 7%. This reverses some of the relative gains enjoyed by growth stocks in recent years, particularly in the midst of the pandemic, and suggests that investment style was a boost to ASCoT's relative returns in the first half.

Size

The NSCI (XIC) is defined as the bottom 10% by value of the entire UK stockmarket. This means that FTSE 250 stocks represent around 63% of its total value. For the purpose of explaining the effect of size on ASCoT's performance relative to the NSCI (XIC), it is useful to compare the fortunes of the FTSE 250, which is indicative of the index's larger constituents, with those of the FTSE SmallCap, which represents its smaller constituents. In the six months to 30 June 2022, the FTSE SmallCap (XIC) out-performed the FTSE 250 (XIC) by 4% to extend what has been a remarkable run of performance for the NSCI (XIC)'s smaller constituents since the vaccine rally started in late 2020. Out-performance by these "smaller small" companies benefits ASCoT's returns since the portfolio has a relatively high exposure to them. This positioning reflects the considerably lower stockmarket valuations accorded to these companies over the past several years, despite comparable growth prospects and returns on equity. It is pleasing that some of the valuation disparity has been addressed by recent share price performance.

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Geography

Where companies make their sales and profits has been an important influence on share prices in recent years, owing to the effects of the EU referendum in 2016 and then the pandemic. The weakness of sterling since the referendum reflected a reluctance of international investors to engage with the UK and, through currency translation, benefited the profitability of those companies that generate revenue outside the UK. The share prices of domestic businesses lagged those of their overseas counterparts, which gave ASCoT the opportunity to increase its exposure to them. Through 2021 and so far in 2022, the fortunes of the two groups shifted. The overseas facing companies have more quickly felt the supply chain problems that followed the pandemic, though cost-of-living pressures were starting to catch up with domestics towards the end of the period. In the six months to 30 June 2022, the share prices of the NSCI (XIC)'s domestically oriented businesses out-performed overseas facing businesses by 4%. This was advantageous to ASCoT, since at the start of the year the portfolio had a weighting of 58% in the domestics, higher than the NSCI (XIC)'s 51%. A note of caution is appropriate. Recent months have seen the debate intensify about Northern Ireland's status within the Brexit agreement. This threatens to complicate again the UK's trading relationship with the EU, which has contributed to renewed pressure on sterling. Geography is therefore likely to remain a noteworthy influence on ASCoT's performance in coming months.

Balance sheets

The finances of small UK quoted companies are in remarkably good shape. This primarily reflects the efforts of management teams to conserve cash during the pandemic and, subsequently, the benefits of the recovery in demand. Playing a less significant role were government support schemes amid lockdowns and equity issuance. The upshot is that balance sheets for both the portfolio and for small companies as a whole are as strong as they have been since 2014. The significance of that year is that companies prioritised de-leveraging for several years after the shock of the global financial crisis.

The table below sets out the weight of the portfolio and the tracked universe in four leverage categories, based on the Managers' estimates for the end of 2022. The tracked universe is those companies in the NSCI (XIC) that the Managers follow closely and represents 98% by value of the NSCI (XIC).

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Portfolio: 2022	44%	42%	9%	5%
Tracked universe: 2022	37%	32%	25%	6%

*Includes loss-makers and lenders

The table suggests that, by the end of 2022, around 44% of the portfolio will be exposed to companies with net cash on the balance sheet and that 86% will be exposed to companies with leverage ratios (net debt to EBITDA) below 2x. This unusually robust position has been influenced by the Managers' investment process. Through the vaccine recovery period, the stockmarket has been more focused on sales and profit growth and less interested in balance sheets. This has meant that balance sheet strength has been under-valued, which has allowed portfolio capital to rotate into companies that display it. Given the uncertain economic outlook, exposure to strong balance sheets feels appropriate, but in due course companies will have to articulate how they plan to utilise their resources. Organic investment to support the progress of the business should be the priority. Thereafter, acquisitions may make sense, if their risk-adjusted returns compare favourably with lower risk alternatives, such as returning surplus cash through a special dividend accompanied by a pro rata share consolidation. Strong balance sheets can reveal much about boards' ability to allocate capital, but their value is clear amid economic uncertainty such as today's.

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Dividends

The present strength of balance sheets is helping the recovery in dividends paid by UK companies. Within the NSCI (XIC), dividends fell by 52% in real terms in 2020 before rebounding by 70% in 2021. The current year will see further progress, with dividends for the index as a whole likely to return close to pre-pandemic levels. The portfolio is benefiting from this favourable background as the table below demonstrates. It categorises the 76 holdings at 30 June 2022 by their most recent dividend action.

Nil payer	Cutter	Unchanged payer	Increased payer	Returner	Other*
21	6	8	30	10	1

*Other denotes companies paying dividends for the first time

As the dividend recovery plays out, the important categories are Nil Payers and Returners. Numerous companies passed dividends amid 2020's lockdowns. However, many of these Nil Payers have restarted dividend payments and are now classified as Returners. It is expected that the number of Nil Payers will decrease further over the next 18 months. In due course, the number of Returners should also subside as companies exit the recovery phase and their distributions to shareholders are determined by normal dividend policies. It is likely that the portfolio will always have some exposure to what might be termed structural Nil Payers. The Managers frequently identify value opportunities among companies with less mature business models or among turnaround situations where temporarily depressed cash flows prevent the payment of a dividend.

Corporate activity

Overseas interest in British assets declined in the wake of 2016's EU referendum. Sterling devalued, M&A activity within the NSCI (XIC) collapsed, and UK stockmarket valuations relative to the rest of the world fell to multi-decade lows. The clarity that should have emerged from the UK's exit agreement with the EU was quickly overwhelmed by the pandemic, but signs developed last year of a renewed appetite on the part of overseas companies and investors to take advantage of low UK valuations. M&A activity targeting constituents of the NSCI (XIC) rose sharply, with 19 companies acquired in 2021. Despite a reduction globally in the value of M&A in 2022, the uptrend has continued among small UK quoted companies: 12 members of the 2022 vintage of the NSCI (XIC) received formal bids in the first half, with approaches made for another 6. This would imply a large increase in activity for the full year, though the recent jitteriness among equities is also evident in debt markets and may complicate the funding of deals through the second half. The bidders during the first half were mostly other corporates, rather than private equity, and were predominantly overseas-based. Of the 12 companies receiving formal bids, the portfolio held 4 and so M&A provided a useful fillip to ASCoT's performance in both absolute and relative terms.

For a value investor, M&A can often be the catalyst for valuation realisation and the vindication of an investment case. However, discipline is required, particularly in an equity market such as the UK's where valuations have been depressed for some time. The gaps between share prices and the true worth of many small companies are substantial, so the customary 30% or so premium for control offered by an acquirer may simply be inadequate. Conscious of this risk, the Managers encourage the boards of the investee companies to consult early in a potential bid process and are prepared to back boards in rejecting undervalued offers, even though this might mean forgoing a boost to short term performance.

Portfolio turnover

Over the six months to 30 June 2022, annualised portfolio turnover – defined as the lower of purchases and sales divided by average portfolio value – was 15%. This is relatively low in comparison with ASCoT's long term average of 32%. There are two explanations. First, two of the holdings subject to M&A bids were sold relatively late in the period, which means that redeployment of the proceeds was still under way at the period end. Second, in the weak equity market conditions of the first half, upsides to the Managers' target prices tended to increase and so, all else equal, there was less incentive to reduce positions and circulate capital as part of what the Managers term the "value roll".

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Active share

Active share is a measure of how different a portfolio is from an index. It is calculated as half of the sum of the absolute differences between each stock's weighting in an index and its weighting in the portfolio. The higher a portfolio's active share, the higher its chance of either out or under-performing the index. At 30 June 2022, the portfolio's active share was 73% relative to the NSCI (XIC), which was well above the Managers' target ratio of at least 70%.

Gearing

ASCoT employs tactical gearing when share prices and valuations are depressed. The most recent decision to deploy gearing came in the second quarter of 2020, when the pandemic uncertainty was towards its most intense. This was the fourth occasion in ASCoT's 31 years on which gearing has been utilised. At the start of 2022, the gearing ratio was 6%. In the falling markets of the first half, this modestly reduced ASCoT's total returns. At 30 June, the ratio had fallen to 5%: while the value of the portfolio had fallen with the weaker stockmarket, less debt was deployed as cash from M&A bids was realised. Consistent with commentary in the following section on valuations and with the present volatility of financial markets, it is likely that more of the gearing facility will be deployed again in coming months.

Valuations

Portfolio characteristics	**30 June 2022** ASCoT	**30 June 2022** NSCI (XIC)	30 June 2021 ASCoT	30 June 2021 NSCI (XIC)
Number of companies	**76**	**323**	78	324
Weighted average market capitalisation	**£532m**	**£795m**	£680m	£996m
Price earnings (PE) ratio (historical)	**7.8x**	**9.8x**	14.1x	17.4x
Dividend yield (historical)	**3.3%**	**3.1%**	1.6%	1.7%
Dividend cover	**3.8x**	**3.3x**	4.5x	3.4x

Over the first half, the historical valuations of small companies fell as share prices declined and as the recovery from the pandemic increased trailing profits. The PE of the NSCI (XIC) dropped from 16.6x at 31 December 2021 to the 9.8x shown in the table above. Meanwhile, the average PE of ASCoT's portfolio fell from 13.2x to 7.8x. At 7.8x, the portfolio is more than one standard deviation below the long term average PE of 11.5x. This has happened on three previous occasions: in the early 1990s, amid the global financial crisis of 2008, and during the pandemic in 2020. Each episode was associated with a UK recession. Clearly, the threat of a demand downturn, spurred by high energy prices and tighter monetary policy, is preoccupying equity investors at present. The table below is intended to give a feel for how much the risk of a potential recession may already be reflected in valuations.

Price earnings ratio	31 year average	As 30 June 2022	At 30 June 2022 with earnings -30%
ASCoT portfolio	11.5x	7.8x	11.1x
NSCI (XIC)	13.4x	9.8x	14.0x

The historical PE at 30 June 2022 was 32% below the long term average of 11.5x. Leaving the peculiarities of the pandemic recession aside, other downturns have been associated with a reduction in small company earnings of around 30%. This would imply a forward PE multiple on what might be trough earnings of just over 11x, which would be below the long run average PE. Taking a medium term view, this might suggest that much of the risk is already baked into share prices, especially since during recovery phases the stockmarket is prepared to take share prices to high multiples – as high as 19x in ASCoT's case – of trailing trough earnings. In practice, the stockmarket is rarely so poised as to take the medium term view. The

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reality of a recession, together with the accompanying profit warnings from companies, would likely elicit further near term weakness in share prices. However, it is clear that the stockmarket is doing its job – it is much closer to reflecting the risk of recession than are today's profit estimates for companies and, in a similar vein, it will start to recover well before an upturn in profits.

The following table shows forward valuations using EV/EBITA, which is the metric that the Managers use most often when valuing companies. EV/EBITA is the ratio of enterprise value to earnings before interest, tax and amortisation. Ratios are set out for the portfolio, the tracked universe and certain subdivisions of the tracked universe. The profit estimates underlying the ratios are made by the Managers. An important influence on shaping estimates is engagement with management teams. Recent discussions suggest that many companies retain full order books and are not yet experiencing pressure on demand. These estimates do not therefore fully reflect a recession scenario.

EV/EBITA	2021	2022	2023	2024
ASCoT (76 stocks)	7.4x	6.1x	5.7x	4.4x
Tracked Universe (235 stocks)	10.3x	8.8x	7.6x	6.2x
- 44 growth stocks	14.6x	14.1x	12.3x	9.1x
- 191 other stocks	9.6x	8.0x	6.9x	5.7x
- 76 stocks> £600m market cap	11.8x	10.4x	8.4x	6.5x
- 159 stocks< £600m market cap	8.4x	6.8x	6.6x	5.7x

A notable feature of the table is ASCoT's relatively low valuation, compared with those of both the tracked universe of small companies and the growth stocks, despite their greater share price declines in 2022. Furthermore, the smaller small companies, represented by stocks with market capitalisations below £600m, retain a sizeable discount to the larger small caps, despite superior share price performance this year. This valuation disparity explains why ASCoT remains over-weight in smaller small companies. Finally, it is worth comparing the 2022 multiples on display in the table with the average EV/EBITA multiple of 15x paid in the 12 M&A transactions announced this year. The gap highlights the deep value that the UK stockmarket continues to offer.

Outlook and conclusion

From the top-down perspective, the challenges to equity valuations are clear. The war in Ukraine rumbles on and helps keep the oil price high. In turn, this adds to the inflationary pressure that emerged from the economic dislocation of the pandemic, and increases the cost of living, which threatens to tip economies into recession. Were that not enough, we must trust the judgement of central banks, which have been slow to respond thus far and now seem to be making up for lost time with their aggressive rhetoric. The gap between near double digit rates of inflation and low single digit government bond yields implies that the central banks are in control, but history would underline the risk of a less benign outcome. The chances of the "soft landing" appear slim.

For most of the first half of 2022, these challenges contrasted with composure on the part of companies. There were some disappointing updates, notably from consumer-oriented businesses towards the end of the period, but in general trading has been better than might be expected, given macro-economic concerns, and a year of profit progress still seems likely. The disparity between the top-down and the bottom-up viewpoints is likely one of timing. In the current "phoney war" phase, profit estimates across the stockmarket have not yet moved in a meaningful way – companies' order books are generally full, the demand recovery from the pandemic still has momentum, and price pressures are being passed on. From the perspective of company boards, little else matters and there is no incentive to risk letting customers down.

However, the actual fullness of order books is moot. In times of inflation and compromised supply chains, a degree of over-ordering on the part of customers would not be surprising. Moreover, it is plausible that, in the initial stages of an inflationary shock that many still see as transitory, it has been relatively straightforward to pass through price increases. This may prove trickier on subsequent occasions, particularly when demand begins to ebb. Overall, therefore, it would seem prudent to expect that some of the top-down gloom catches up with companies through the second half of the year, perhaps indeed to precipitate a recession in 2023.

Clearly, the stockmarket has already judged that this is the likely outcome. However, the duration and depth of an economic downturn are far from certain. There are mitigating factors at play, including the scope for governments to offset the worst of the pressures on the cost of living. Additionally, private sector balance sheets have emerged from the pandemic in good shape and employment rates are relatively high, which should help the gap between the rates of wage growth and inflation close in 2023. A final consideration is that the current macro-economic challenges might ease. A resolution to the war in Ukraine would bring down energy costs. China's restrictive policies may be relaxed after November's Communist Party congress. Central banks' actions may not prove as hawkish as their words, particularly if these words themselves – so-called jawboning – succeed in cooling activity.

Nevertheless, a recession is what the stockmarket currently expects. It would be bad for the profits earned both by ASCoT's portfolio of relatively cyclical value stocks and by companies in general. However, share prices will also be influenced by the valuation that investors ascribe to corporate profits. Valuations in turn will continue to be affected by inflation and monetary policy. Uncertainty about these factors should hinder the ability of growth stocks to return to the very high valuations that they enjoyed as recently as six months ago. Numerous growth stocks are also having to contend with pressure on their own profitability or, for the loss-makers, their forecast path to profitability. Whether provoked by general economic conditions or by company-specific issues, redundancies and cost cutting programmes are not a good look for glamorous growth companies aspiring to high valuation multiples. In the tussle between value and growth styles, this backdrop is suggestive of a better outlook for the value style or, at least, a more level playing field than has been the case in recent years. The Managers' consistent adherence to a value investment philosophy means that this could benefit the relative returns achieved by ASCoT against the NSCI (XIC), as was the case in the first half of 2022.

However, over a reasonable time frame, ASCoT's investment returns will be determined by underlying progress of its diversified portfolio of 76 investee companies. In this regard, there is reason for optimism. The holdings have proved themselves through a series of challenges including the global financial crisis, Brexit and the pandemic. Their profits are resilient and grow from economic cycle to economic cycle. Their balance sheets are notably strong at present, which affords their boards optionality around the deployment of capital. And, significantly, their share prices already discount at least some of the risk of an economic slowdown. As the previous section on valuations noted, historical PE ratios and forward EBITA ratios are at unusually low levels. Coming at it from a different perspective, companies whose share prices at 30 June 2022 were lower than at 31 December 2019 account for over 59% by weight of the portfolio. This suggests that there is still significant potential for share price recovery as economic activity returns to pre-pandemic levels.

Low valuations, depressed share prices and a diversified portfolio of robust and well managed businesses are solid foundations for good future investment returns. The optimism inherent in that statement clashes with today's macro-economic and geopolitical gloom. It is unlikely that the stockmarket will move on from these concerns until their impact is better known, but the medium and long term outlook for ASCoT's portfolio, differentiated by its consistent value philosophy and investment process, remains bright.

Aberforth Partners LLP
Managers

26 July 2022

Investment Portfolio

Fifty Largest Investments as at 30 June 2022

No.	Company	Valuation £'000	% of Total	Business Activity
1	FirstGroup	55,133	4.6	Bus & rail operator
2	Go-Ahead Group	35,738	3.0	Bus & rail operator
3	Videndum	34,795	2.9	Photographic & broadcast accessories
4	Redde Northgate	34,568	2.9	Van rental
5	Wincanton	32,924	2.8	Logistics
6	EnQuest	32,651	2.8	Oil & gas exploration and production
7	Rathbones Group	32,224	2.7	Private client fund manager
8	Morgan Advanced Materials	32,146	2.7	Manufacture of carbon & ceramic materials
9	RPS Group	27,687	2.3	Energy & environmental consulting
10	Wilmington Group	26,174	2.2	Business publishing & training
	Top Ten Investments	**344,040**	**28.9**	
11	Robert Walters	25,825	2.2	Recruitment
12	Just Group	25,101	2.1	Individually underwritten annuities
13	Centamin	24,688	2.1	Gold miner
14	Senior	24,239	2.0	Aerospace & automotive engineering
15	Micro Focus	24,121	2.0	Legacy software assets
16	CMC Markets	23,186	1.9	Financial derivatives dealer
17	Reach	22,036	1.9	UK newspaper publisher
18	SIG	21,354	1.8	Specialist building products distributor
19	Bakkavor Group	21,216	1.8	Food manufacturer
20	Eurocell	21,001	1.8	Manufacture of UPVC building products
	Top Twenty Investments	**576,807**	**48.5**	
21	Anglo Pacific Group	20,800	1.8	Natural resources royalties
22	Provident Financial	20,367	1.7	Personal credit provider
23	Energean	20,230	1.7	Oil & gas exploration and production
24	Mitchells & Butlers	20,166	1.7	Operator of restaurants, pubs & bars
25	TI Fluid Systems	20,022	1.7	Automotive parts manufacturer
26	Crest Nicholson	19,548	1.6	Housebuilding
27	Lookers	19,384	1.6	Motor vehicle retailer
28	International Personal Finance	19,165	1.6	Home credit provider
29	Medica Group	19,110	1.6	Teleradiology services provider
30	Vesuvius	18,291	1.5	Metal flow engineering
	Top Thirty Investments	**773,890**	**65.0**	

Investment Portfolio

Fifty Largest Investments as at 30 June 2022

No.	Company	Valuation £'000	% of Total	Business Activity
31	Rank Group	18,227	1.5	Multi-channel gaming operator
32	C&C Group	17,675	1.5	Brewer and drinks distributor
33	Marstons	17,578	1.5	Pub operator
34	Kenmare Resources	17,214	1.4	Miner of titanium minerals
35	TT Electronics	16,925	1.4	Sensors & other electronic components
36	Capital	16,027	1.3	Rental of drilling equipment
37	DFS Furniture	15,567	1.3	Furniture retailer
38	Hostelworld Group	15,307	1.3	Hostel booking platform
39	Jupiter Fund Management	15,274	1.3	Investment manager
40	Brewin Dolphin Holdings	15,074	1.3	Private client fund manage
	Top Forty Investments	**938,758**	**78.8**	
41	Castings	14,108	1.2	Engineering - automotive castings
42	Headlam Group	14,081	1.2	Distributor of floor coverings
43	Ricardo	13,938	1.2	Environmental & engineering consulting
44	Sabre Insurance Group	13,913	1.2	Car insurance
45	Keller	13,405	1.2	Ground engineering services
46	Dialight	13,170	1.1	LED based lighting solutions
47	Galliford Try Holdings	12,340	1.0	Housebuilding & construction
48	Conduit Holding	12,326	1.0	Bermuda based (re)insurer
49	RM	12,179	1.0	IT services for schools
50	De La Rue	12,149	1.0	Bank note printer
	Top Fifty Investments	**1,070,367**	**89.9**	
	Other Investments (26)	175,673	14.7	
	Total Investments	**1,246,040**	**104.6**	
	Net Liabilities	(55,090)	(4.6)	
	Total Net Assets	**1,190,950**	**100.0**	

Long Term Investment Record

Historical Total Returns[5]

Period	NAV[1]	Discrete Annual Returns (%) Index[2]	Share Price[3]
1 year to 30 June 2022	-17.3	-17.2	-21.4
1 year to 30 June 2021	76.3	49.8	70.8
1 year to 30 June 2020	-24.9	-15.0	-21.7
1 year to 30 June 2019	-10.7	-5.4	-11.1
1 year to 30 June 2018	10.0	7.6	15.7
1 year to 30 June 2017	35.7	29.1	41.4
1 year to 30 June 2016	-15.2	-6.6	-21.7
1 year to 30 June 2015	13.4	10.4	16.6
1 year to 30 June 2014	31.8	20.3	31.9
1 year to 30 June 2013	36.3	31.8	44.6

Periods to 30 June 2022	Annualised Returns (%)			Cumulative Returns (%)		
	NAV[1]	Index[2]	Share Price[3]	NAV[1]	Index[2]	Share Price[3]
2 years	20.7	11.4	15.8	45.7	24.0	34.2
3 years	3.0	1.8	1.7	9.4	5.4	5.1
4 years	-0.6	-0.1	-1.7	-2.3	-0.2	-6.6
5 years	1.4	1.4	1.6	7.4	7.4	8.0
6 years	6.5	5.6	7.3	45.8	38.7	52.8
7 years	3.1	3.8	2.6	23.7	29.5	19.7
8 years	4.3	4.6	4.3	40.2	43.0	39.5
9 years	7.1	6.2	7.0	84.8	72.0	84.0
10 years	9.7	8.5	10.3	151.9	126.6	166.1
15 years	5.7	6.2	6.2	131.1	146.1	145.7
31.6 years from inception[4]	11.8	9.7	11.4	3,303.1	1,762.5	2,907.6

1 Represents Net Asset Value return with dividends reinvested.

2 Represents capital appreciation/(depreciation) on the Numis Smaller Companies Index (excluding Investment Companies) with dividends reinvested.

3 Represents Ordinary Share price return with dividends reinvested.

4 Inception date of the Company was 10 December 1990.

5 Alternative Performance Measures (refer to the glossary in the 2021 Annual Report).

Interim Management Report

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and the Managers' Report.

Risks and Uncertainties

The Directors have a process for identifying, evaluating and managing the principal and emerging risks faced by the Company. The Board believes that the Company has a relatively low risk profile in the context of the investment trust industry. This belief arises from the fact that the Company has a simple capital structure; invests only in small UK quoted companies; is not exposed to derivatives and does not presently intend any such exposure; and outsources all the main operational activities to recognised, well established firms.

The principal risks faced by the Company relate to investment policy/performance, market risk, share price discount, gearing, reputational risk and regulatory risk. An explanation of these risks and how they are managed can be found in the Strategic Report contained within the 2021 Annual Report. These principal risks and uncertainties continue to apply as disclosed in the 2021 Annual Report and as updated by the Managers' Report in these interim statements.

Going Concern

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. The Company's assets comprise mainly readily realisable equity securities and funding flexibility can typically be achieved through the use of the Company's borrowing facilities. In assessing going concern the Board considered the impact of Covid-19 on the Company's investment portfolio and operations. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

(i) the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting";

(ii) the Half Yearly Report includes a fair review of information required by:

- (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events during the first six months of the year and their impact on the financial statements together with a description of the principal risks and uncertainties for the remaining six months of the year; and
- (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being disclosure of related party transactions and changes therein.

(iii) the Half Yearly Report, taken as whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's performance, objective and strategy.

On behalf of the Board
Richard Davidson
Chairman

26 July 2022

Income Statement

(unaudited)

For the six months ended 30 June 2022

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Realised net gains on sales	–	**16,084**	**16,084**	–	23,426	23,426
Movement in fair value	–	**(279,810)**	**(279,810)**	–	344,212	344,212
Net (losses)/gains on investments	–	**(263,726)**	**(263,726)**	–	367,638	367,638
Investment income	**27,311**	**–**	**27,311**	17,959	–	17,959
Other income	**–**	**–**	**–**	–	–	–
Investment management fee (Note 2)	**(1,929)**	**(3,216)**	**(5,145)**	(1,720)	(2,867)	(4,587)
Portfolio transaction costs	–	**(1,003)**	**(1,003)**	–	(1,614)	(1,614)
Other expenses	**(394)**	–	**(394)**	(385)	–	(385)
Net return before finance costs and tax	**24,988**	**(267,945)**	**(242,957)**	15,854	363,157	379,011
Finance costs	**(259)**	**(431)**	**(690)**	(175)	(293)	(468)
Return on ordinary activities before tax	**24,729**	**(268,376)**	**(243,647)**	15,679	362,864	378,543
Tax on ordinary activities	**–**	**–**	**–**	–	–	–
Return attributable to equity shareholders	**24,729**	**(268,376)**	**(243,647)**	15,679	362,864	378,543
Returns per Ordinary Share (Note 4)	**28.43p**	**(308.54)p**	**(280.11)p**	17.69p	409.39p	427.08p

Dividends

On 26 July 2022, the Board declared an interim dividend for the year ending 31 December 2022 of 12.05p per Ordinary Share (2021 – 10.95p), which will be paid on 26 August 2022.

Income Statement

(continued)

	Year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000
Realised net gains on sales	–	46,296	46,296
Movement in fair value	–	298,312	298,312
Net gains on investments	–	344,608	344,608
Investment income	37,331	–	37,331
Other income	125	–	125
Investment management fee (Note 2)	(3,752)	(6,253)	(10,005)
Portfolio transaction costs	–	(2,790)	(2,790)
Other expenses	(811)	–	(811)
Net return before finance costs and tax	32,893	335,565	368,458
Finance costs	(349)	(583)	(932)
Return on ordinary activities before tax	32,544	334,982	367,526
Tax on ordinary activities	–	–	–
Return attributable to equity shareholders	32,544	334,982	367,526
Returns per Ordinary Share (Note 4)	36.76p	378.43p	415.19p

Reconciliation of Movements in Shareholders' Funds

(unaudited)

For the six months ended 30 June 2022

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2021	**879**	**109**	**83,777**	**1,314,545**	**73,255**	**1,472,565**
Return on ordinary activities after tax	–	–	–	(268,376)	24,729	(243,647)
Equity dividends paid	–	–	–	–	(21,262)	(21,262)
Purchase of Ordinary Shares	(12)	12	(16,706)	–	–	(16,706)
Balance as at 30 June 2022	**867**	**121**	**67,071**	**1,046,169**	**76,722**	**1,190,950**

For the year ended 31 December 2021

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2020	888	100	96,663	979,563	70,716	1,147,930
Return on ordinary activities after tax	–	–	–	334,982	32,544	367,526
Equity dividends paid	–	–	–	–	(30,005)	(30,005)
Purchase of Ordinary Shares	(9)	9	(12,886)	–	–	(12,886)
Balance as at 31 December 2021	879	109	83,777	1,314,545	73,255	1,472,565

For the six months ended 30 June 2021

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2020	888	100	96,663	979,563	70,716	1,147,930
Return on ordinary activities after tax	–	–	–	362,864	15,679	378,543
Equity dividends paid	–	–	–	–	(20,318)	(20,318)
Purchase of Ordinary Shares	(3)	3	(3,864)	–	–	(3,864)
Balance as at 30 June 2021	885	103	92,799	1,342,427	66,077	1,502,291

Balance Sheet

(unaudited)

As at 30 June 2022

	30 June 2022 £'000	31 December 2021 £'000	30 June 2021 £'000
Fixed assets			
Investments at fair value through profit or loss (Note 5)	**1,246,040**	1,554,585	1,579,441
Current assets			
Investment income receivable	**2,637**	1,755	1,724
Amounts due from brokers	**–**	95	1,896
Other debtors	**46**	25	31
Cash at bank	**906**	3,418	5,090
	3,589	5,293	8,741
Creditors (amounts falling due within one year)			
Amounts due to brokers	**(555)**	(730)	(2,880)
Other creditors	**(184)**	(175)	(136)
	(739)	(905)	(3,016)
Net current assets	**2,850**	4,388	5,725
Total assets less current liabilities	**1,248,890**	1,558,973	1,585,166
Creditors (amounts falling due after more than one year)			
Bank debt facility	**(57,940)**	(86,408)	(82,875)
TOTAL NET ASSETS	**1,190,950**	1,472,565	1,502,291
CAPITAL AND RESERVES: EQUITY INTERESTS			
Share Capital			
Ordinary Shares	**867**	879	885
Reserves			
Capital redemption reserve	**121**	109	103
Special reserve	**67,071**	83,777	92,799
Capital reserve	**1,046,169**	1,314,545	1,342,427
Revenue reserve	**76,722**	73,255	66,077
TOTAL SHAREHOLDERS' FUNDS	**1,190,950**	1,472,565	1,502,291
Net asset value per share (Note 6)	**1,373.14p**	1,674.35p	1,696.49p
Share price	**1,174.00p**	1,464.00p	1,530.00p

Cash Flow Statement

(unaudited)

For the six months ended 30 June 2022

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Net cash inflow from operating activities	**20,853**	12,201	25,865
Investing activities			
Purchases of investments	**(108,457)**	(219,298)	(381,045)
Sales of investments	**152,922**	223,827	385,146
Cash inflow from investing activities	**44,465**	4,529	4,101
Financing activities			
Purchases of Ordinary Shares	**(17,436)**	(3,864)	(12,156)
Equity dividends paid	**(21,262)**	(20,318)	(30,005)
Interest and fees paid	**(632)**	(421)	(850)
Gross drawdowns of bank debt facilities (before any costs)	**43,000**	69,500	134,000
Gross repayments of bank debt facilities (before any costs)	**(71,500)**	(59,500)	(120,500)
Cash (outflow) from financing activities	**(67,830)**	(14,603)	(29,511)
Change in cash during the period	**(2,512)**	2,127	455
Cash at the start of the period	**3,418**	2,963	2,963
Cash at the end of the period	**906**	5,090	3,418

Notes to the Financial Statements

1. Accounting Standards

The financial statements have been prepared on a going concern basis and in accordance with the Financial Reporting Standard 104 and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in 2021. The total column of the Income Statement is the profit and loss account of the Company. All revenue and capital items in the Income Statement are derived from continuing operations. No operations were acquired or discontinued in the period. The same accounting policies used for the year ended 31 December 2021 have been applied.

2. Investment Management Fee

The Managers, Aberforth Partners LLP, receive an annual management fee, payable quarterly in advance, equal to 0.75% of net assets up to £1 billion, and 0.65% thereafter.

The investment management fee has been allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

3. Dividends

	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend of 22.90p for the year ended 31 December 2020	**–**	20,318	20,318
Interim dividend of 10.95p for the year ended 31 December 2021	**–**	–	9,687
Final dividend of 24.25p for the year ended 31 December 2021	**21,262**	–	–
	21,262	20,318	30,005

The interim dividend for the year ending 31 December 2022 of 12.05p (2021 – 10.95p) will be paid on 26 August 2022 to shareholders on the register on 5 August 2022. The ex dividend date is 4 August 2022. The interim dividend has not been included as a liability in these financial statements.

Notes to the Financial Statements

4. Returns per Ordinary Share

The returns per Ordinary Share are based on:

	30 June 2022	30 June 2021	31 December 2021
Returns attributable to Ordinary Shareholders	£(243,647,000)	£378,543,000	£367,526,000
Weighted average number of shares in issue during the period	86,981,282	88,634,326	88,519,932
Return per Ordinary Share	(280.11)p	427.08p	415.19p

5. Investments at fair value

In accordance with FRS 102 and FRS 104, fair value measurements have been classified using the fair value hierarchy:

Level 1 - using unadjusted quoted prices for identical instruments in an active market;
Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 - using inputs that are unobservable (for which market data is unavailable).

Investments held at fair value through profit or loss

As at 30 June 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	**1,246,040**	**–**	**–**	**1,246,040**
Unlisted equities	**–**	**–**	**–**	**–**
Total financial asset investments	**1,246,040**	**–**	**–**	**1,246,040**

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,554,585	–	–	1,554,585
Unlisted equities	–	–	–	–
Total financial asset investments	1,554,585	–	–	1,554,585

As at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,579,441	–	–	1,579,441
Unlisted equities	–	–	–	–
Total financial asset investments	1,579,441	–	–	1,579,441

Notes to the Financial Statements

6. Net Asset Value per Ordinary Share

The net assets and the net asset value per share attributable to the Ordinary Shares at each period end are calculated in accordance with their entitlements in the Articles of Association and were as follows.

	30 June 2022	31 December 2021	30 June 2021
Net assets attributable	£1,190,950,000	£1,472,565,000	£1,502,291,000
Ordinary Shares in issue at end of period	86,731,924	87,948,266	88,553,066
Net Asset Value per Ordinary Share	1,373.14p	1,674.35p	1,696.49p

7. Share Capital

During the period, the Company bought back and cancelled 1,216,342 shares (2021: 270,000) at a cost of £16,706,000 (2021: £3,864,000). No shares have been bought back for cancellation between 1 July 2022 and 26 July 2022.

8. Related party transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company. Under UK accounting standards, the Directors have been identified as related parties and their fees and interests are disclosed in the 2021 Annual Report.

9. Alternative Performance Measures

Alternative Performance Measures ("APMs") are measures that are not defined by FRS 102 and FRS 104. The Company believes that APMs, referred to within ‘Financial Highlights’ on page 1, provide Shareholders with important information on the Company and are appropriate for an investment trust. These APMs are also a component of reporting to the Board. A glossary of APMs can be found in the 2021 Annual Report.

10. Further Information

The foregoing do not constitute statutory accounts of the Company (as defined in section 434(3) of the Companies Act 2006). The financial information for the year ended 31 December 2021 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The Auditor issued an unqualified opinion on those accounts and did not make any statements under section 498(2) or (3) of the Companies Act 2006. All information shown for the six months to 30 June 2022 is unaudited.

Certain statements in this report are forward looking. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Notes

J. Thomson Colour Printers 204543

Corporate Information

Directors
Richard Davidson (Chairman)
Patricia Dimond
Julia Le Blan
Victoria Stewart
Martin Warner

Managers & Secretaries
Aberforth Partners LLP
14 Melville Street
Edinburgh EH3 7NS
Tel: 0131 220 0733
enquiries@aberforth.co.uk
www.aberforth.co.uk

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

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Shareholder enquiries:
Tel: 0871 664 0300
(Calls cost 12p per minute plus network extras)
Email: enquiries@linkgroup.co.uk
www.linkassetservices.com
Shareholder Portal: www.signalshares.com

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

Bankers
The Royal Bank of Scotland International Limited
280 Bishopsgate
London EC2M 4RB

Independent Auditor
Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB

Solicitors & Sponsors
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Registered Office
14 Melville Street
Edinburgh EH3 7NS

Registered in Scotland No:
SC 126524

Security Codes

SEDOL:	0006655
Bloomberg :	ASL LN
Reuters:	ASL.L
GIIN:	U6SSZS.99999.SL.826
LEI:	213800GZ9WC73A92Q326