Aberforth Split Level Income Trust plc

Half Yearly Report

31 December 2020

Investment Objective

The investment objective of Aberforth Split Level Income Trust plc (ASLIT) is to provide Ordinary Shareholders with a high level of income, with the potential for income and capital growth, and to provide Zero Dividend Preference Shareholders with a pre-determined final capital entitlement of 127.25p on the planned winding-up date of 1 July 2024.

Investment Policy

The Company aims to achieve its objective by investing in a diversified portfolio of securities issued by small UK quoted companies. Further details of the Investment Policy are available on the Managers' website www.aberforth.co.uk.

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All data throughout this Half Yearly Report are to, or as at, 31 December 2020 as applicable, unless otherwise stated.

Financial Highlights

Total Return Performance

Period to 31 December 2020	Total Assets[1]	Ordinary Share NAV[1]	Ordinary Share Share Price[1]	ZDP Share NAV[1]	ZDP Share Share Price[1]
Six months	**27.6%**	**41.9%**	**50.6%**	**1.8%**	**1.9%**
Twelve months	-20.1%	-26.0%	-22.5%	3.6%	-0.5%
Since Inception (cumulative)	-10.7%	-16.5%	-19.7%	12.5%	8.0%
Since Inception (annualised)	-3.2%	-5.0%	-6.1%	3.4%	2.2%

Ordinary Share

As at:	Net Asset Value per Share[1]	Share Price	Discount/ (Premium)[1]	Return per Share[2]	Dividend per Share[2]	Gearing[1]
31 December 2020	**70.7p**	**67.4p**	**4.6%**	**20.8p**	**0.92p**	**39.8%**
30 June 2020	52.5p	47.3p	10.0%	-29.8p	4.22p	52.6%
31 December 2019	102.3p	93.5p	8.6%	18.5p	1.51p	26.5%

At inception an Ordinary Share had a NAV of 100p and a gearing[1] level of 25%.

Zero Dividend Preference Share (ZDP Share)

As at:	Net Asset Value per Share[1]	Share Price	Discount/ (Premium)[1]	Return per Share[2]	Projected Final Cumulative Cover[1]	Redemption Yield[1]
31 December 2020	**112.5p**	**108.0p**	**4.0%**	**2.0p**	**2.9x**	**4.8%**
30 June 2020	110.5p	106.0p	4.0%	3.8p	2.3x	4.7%
31 December 2019	108.6p	108.5p	0.0%	1.9p	3.6x	3.6%

At inception a ZDP Share had a NAV of 100p, a Projected Final Cumulative Cover[1] of 3.4x, and a Redemption Yield[1] of 3.5%.

Source: Aberforth Partners LLP

1 Defined in the Glossary on pages 24 to 25.

2 The Return per Share and Dividend per Share as at 31 December 2020 and 2019 are in respect of the six months then ended and as at 30 June 2020 in respect of the year then ended.

The valuation statistics above consisting of Redemption Yields and Final Cumulative Cover are projected, illustrative and do not represent profit forecasts. There is no guarantee these returns will be achieved.

Chairman's Statement

Introduction

This fourth interim report of Aberforth Split Level Income Trust plc ("ASLIT" or "your Company") covers the six months to 31 December 2020.

It will not be a surprise to you that the Covid-19 pandemic, and particularly the measures to control it, continued to be the most influential factor determining the fortunes of your Company and its investments. Lately though, and pleasingly, the newsflow has been more positive owing to the approval of several vaccines. This momentous development has allowed both society and the stockmarket to imagine an end to this bleak period. Notwithstanding the uncertainties of new strains of the virus and the third lockdown, a recovery in economic activity in both the UK and further afield has started.

The understandable obsession with Covid-19 has overshadowed two significant events, either of which would have been capable of dominating the financial markets in normal times. These events were the fraught negotiations for a Brexit trade deal and the chaotic US Presidential Election. Of the two, Brexit was always likely to have the most direct influence on your Company's holdings and so the signing of a trade deal is to be welcomed. It is too early to gauge its success, but the fact a 'cliff edge' has been avoided and a significant uncertainty removed should in time bode well for UK equities.

Performance

After a torrid beginning to 2020, the market took these latest developments well, which was especially helpful for an investment trust invested in small UK quoted companies, particularly with ASLIT's capital structure and value investment philosophy.

Against this backdrop, the total assets total return, which captures your Company's ungeared portfolio performance, was 27.6% in the six months to 31 December 2020. Geared by the Zero Dividend Preference (ZDP) Shares, the net asset value total return of the Ordinary Shares was 41.9%. At the same time, as a degree of confidence returned, the discount at which the Ordinary Shares traded moved from 10.0% to 4.6% giving a share price total return of 50.6%

With the uplift in the portfolio value, the projected final cumulative cover of the ZDP shares rose from 2.3 times to 2.9 times over the reporting period.

While this recent recovery is encouraging, it is in its early stages and your Company's assets remain below their level before the onset of the pandemic, but, as you will see from both the end of my statement and the Managers' report, there are good reasons to be optimistic for the future.

For reference, the FTSE All-Share Index, which is dominated by the larger UK listed companies, recorded a total return of 9.3%. The Numis Smaller Companies Index (excluding investment companies) (NSCI (XIC)), which defines ASLIT's opportunity base of small UK quoted companies, delivered a total return of 27.6% in the period.

Further detail on portfolio performance is provided in the Managers' Report.

Earnings and Dividends

The Covid-19 pandemic has had a significant impact on dividends from both large and small UK quoted companies. It is estimated that aggregate dividends from NSCI (XIC) constituents will likely have fallen by around 52% during calendar year 2020. Unfortunately, your Company cannot escape so challenging a backdrop unscathed. This inevitability was reflected in ASLIT's 1.17p of earnings per share in the six months to 31 December 2020, which were 56% lower than in the comparable period in the previous financial year. Therefore, as disclosed in my annual statement six months ago, a dividend cut is regrettably unavoidable.

Chairman's Statement

The full extent of the dividend downturn among small companies will not be known until they have reported results and decided dividends in respect of 2020. The first half of calendar 2021 will therefore be very important as companies with December year ends announce their final results. It is likely that the on-going third lockdown will influence some dividend decisions.

More positively, there is good reason to believe that the dividend recovery can start as the vaccines take effect and the general economic recovery gains momentum. On this front, your Board is heartened by the dividend experience among its portfolio holdings during the six-month period to 31 December 2020. Several investee companies returned to paying cash dividends or bonus alternatives, having previously cut to zero at the onset of the crisis.

It is in the context of this near term uncertainty but medium term encouragement that the Board declares the level of the first interim dividend at 0.92p per Ordinary Share. This represents a 39% reduction compared with the prior year's first interim dividend of 1.51p. In making this decision, the Board considered carefully the likely outcome for the full year and the subsequent trajectory of the recovery. The Board's ambition is that the rate of decline in the second interim dividend will be no worse than that of the first interim dividend. This ambition is subject to the uncertainties noted above and cannot, therefore, be a commitment at this stage. However, some flexibility is provided by the 0.86p per Ordinary Share of revenue reserves with which your Company started the current financial year. It is likely that fulfilment of the ambition will require the utilisation of a portion of these revenue reserves.

The first interim dividend of 0.92p will be paid on 9 March 2021 to Ordinary Shareholders on the register at the close of business on 12 February 2021. The ex-dividend date is 11 February 2021. Your Company operates a Dividend Reinvestment Plan and details, including the Form of Election, are available from our Managers, Aberforth Partners LLP or on their website, www.aberforth.co.uk.

Outlook

Vaccines for Covid-19 have provided a much needed fillip to weary investors and to the population in general, but their effective roll-out is essential to unlocking economic activity. Given the magnitude of this task, it is likely there will be some bumps along the way, not least through the spread of different strains of the virus.

However, as we look beyond Covid-19, there are several significant reasons for optimism about the future of your Company. The world will recover from the significant economic shock of the virus. The signs are that this recovery has already started, to the benefit of the Managers' value investment style and to the share prices of your Company's holdings in recent months. Additionally, the signing of the Brexit trade deal should not be underestimated. The UK has been deemed a pariah to the international investing community since the 2016 referendum and the valuation multiples attributed to UK equities reflects this. Further down the market capitalisation scale, specifically into ASLIT's investment universe, the valuations on offer are even more attractive and increase the chance of good absolute returns from investee companies in the coming years. The bargain basement equity valuations are not going unnoticed, with M&A activity on the rise.

These considerations reassure me that, notwithstanding the setback from Covid-19, ASLIT's portfolio and capital structure can deliver on the investment objective for the benefit of both classes of shareholder over the second half of your Company's planned life.

Angus Gordon Lennox
Chairman

22 January 2021

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Managers' Report

Introduction

The experience of 2020 will live long in the memory for the lives lost directly and indirectly to Covid-19. Through the measures taken to control its spread, the virus will also have lasting effects on how we live and on economic activity. A global pandemic was often cited as a plausible "left field" risk to modern globalised societies, but the reaction of financial markets to Covid-19 shows how unprepared the world was.

While the coronavirus is still with us, ASLIT's 30 June year end means that the pain of the pandemic in share price terms fell into the second half of its financial year to 30 June 2020. In contrast to that period, the six months to 31 December 2020 witnessed a strong recovery in equity markets. The FTSE All-Share, which is dominated by larger companies, generated a total return of 9.3%. This was bettered by the performance of small companies, with the NSCI (XIC) up by 27.6%. ASLIT's total asset total return was also 27.6%, but the gearing from the ZDP Shares took the net asset value total return of the Ordinary Shares to 41.9%. The turn in equity markets is welcome, particularly for a company with ASLIT's capital structure. However, the strong returns over the past six months have not offset the declines experienced in the six months to 30 June 2020.

From the portfolio's perspective, the virus itself was less significant than the measures taken to tackle it. The first lockdown constrained consumer behaviours and precipitated the UK's sharpest recession in over three hundred years. Many companies, particularly those serving the domestic economy, saw their revenues dwindle to zero in the months after the imposition of the first lockdown and were confronted by the prospect of rapidly diminishing cash resources. This was not a scenario with which anyone, let alone those responsible for companies' viability statements, had previously had to contend.

This liquidity squeeze precipitated the deepest dividend cuts since records began and would have proved fatal for many businesses – the so-called "Covid victims" – without external assistance. That assistance came in three forms. First, the government and Bank of England deployed huge support programmes in the form of the Coronavirus Job Retention Scheme (furlough), the Covid Corporate Financing Facility (CCFF) and others. Second, lenders to companies relaxed the terms of existing debt facilities. Third, the equity market played its part, with pre-emption rules temporarily eased and large sums raised by several companies through the issue of new shares.

After the initial period of confusion, reflected in the precipitous drop in share prices, the summer months brought some stability and clarity. While the full economic impact of lockdown – the longer term "scarring" – has been deferred by the official support measures, it became clear that the virus could be controlled. This allowed some tentative recalibration of forecasts both by companies and investors. Meanwhile, the immediate and most pressing corporate liquidity issues were quantified and addressed. At the same time, the easing of lockdown brought a recovery in companies' revenues and suggested a willingness on the part of consumers to revert, more or less, to previous habits. It was through this middle part of the year that the boards of small companies proved that they could meet the challenges posed by Covid-19 and proved the resilience of their businesses, as they did in the global financial crisis and in the wake of the EU referendum. Trading updates through the Autumn were generally better than expected and several companies were able to resume dividend payments.

Against this background, which was encouraging despite the advent of the second lockdown, the vaccine announcements arrived in November. These proved the catalyst for a broad reappraisal by the financial markets of the prospects for economic activity and for cyclical companies. Investment horizons elongated as confidence rose that a return to a normal way of life was achievable and that a recovery in profits could commence. The stockmarket re-engaged with businesses that it had previously priced to be without a future of more than a few years. These companies were aggressively re-valued, to ASLIT's benefit. This was another damning episode for market efficiency, with the equity market again struggling to calibrate value in a period of stress. Echoing the experience of the Nifty Fifty and the TMT bubble, the market focused narrowly on those businesses immune to or benefiting from the effects of Covid-19. It therefore lost sight of the beneficiaries of the ingenuity that it otherwise prized so highly.

Managers' Report

The inspiration from the remarkably rapid vaccine development would have been a good way to have ended a bad year. However, Brexit politics threatened to complicate the immediate outlook for the UK economy. In the event, a trade deal with the EU was secured. The detail of its implementation is not yet fully clear, but the near term prospects for the UK economy are undoubtedly better with an agreement in place. From the perspective of the portfolio, it reduces uncertainty and removes an excuse for overseas investors to ignore UK assets, which have been global pariahs for several years. Nevertheless, beyond Brexit, any upside from the UK's regained sovereignty may be complicated by the political fallout from Covid-19 and questions about the Union itself.

In considering the operating performance of the portfolio's holdings and of small companies more generally in 2020, an important lesson is the resilience of the underlying businesses. Most companies are sensitive to the economic cycle, with their profits waxing and waning in step with broad economic activity. It is certainly the case that, since the global financial crisis, cyclicality around the world has been shunned by most investors – stockmarket valuations of such businesses had fallen to the extent that they have attracted value investors, such as the Managers. With the onset of Covid-19 and lockdown, cyclical companies have suffered disproportionately in terms of profits and share prices. However, cyclicality does not equate to low quality. The businesses within the portfolio, while predominantly cyclical, are resilient. They can cover their cost of capital and can grow from cycle to cycle. They are well managed and balance the interests of their shareholders with responsibilities to other stakeholders. These characteristics are often overlooked, seldom to such a degree as in 2020, but give confidence that future challenges can be met.

Investment performance

ASLIT's total asset total return is a measure of the portfolio's performance, uninfluenced by the gearing provided by the ZDP Shares. In the six months to 31 December 2020 the total asset total return was 27.6%. The return of the NSCI (XIC), which represents ASLIT's opportunity base was also 27.6%. The following paragraphs describe the main influences on ASLIT's performance.

Size

For the purposes of this analysis, the size effect concerns the relative performance within the NSCI (XIC) of its "larger small" companies, which are defined as the overlap between the FTSE 250 and the NSCI (XIC), and its "smaller small" companies, which are the index's other constituents. This is relevant because the portfolio has a high exposure to the index's "smaller smalls", a position that reflects the considerably lower valuations for these companies. A useful gauge of the relative performance of the two groups is the performance of the FTSE 250 against that of the FTSE SmallCap. In the six months to 31 December 2020, the FTSE SmallCap out-performed the FTSE 250 by 6%, thanks principally to a much stronger rebound in November. The strength of the "smaller smalls" means that, all else being equal, size would have benefited ASLIT's performance in the period.

Style

Recent years have been challenging for value investors, with subdued economic growth, disinflation and ever lower government bond yields. These conditions have favoured the valuations of companies offering secular growth potential and have elongated investment horizons to the benefit of businesses that might not generate meaningful cash flows for some years. These generational headwinds for the value style were intensified by the recession that ensued from lockdown. Coming into the Covid-19 period, value stocks – both in the UK small cap world and more broadly – were generally sensitive to the economic cycle. Their profits and valuations were therefore vulnerable to lockdown, which was to the detriment of ASLIT's performance. A corollary of this was that the value style and, by extension, the portfolio was likely to fare better once confidence in economic recovery recovered.

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This is what happened in November, as the vaccine news allowed markets to look beyond the second lockdown. The London Business School (LBS), which maintains the NSCI (XIC), conducts style analysis on its constituents and defines value stocks as those with the lowest price to book ratios. It calculated that value stocks outstripped growth stocks by 6% in the six months to 31 December 2020, with a strong performance for the value style developing in the wake of the vaccine announcements. Though the Managers determine value in a broader fashion and use a variety of valuation metrics, the LBS analysis is indicative of a more benign environment for value managers.

Profits

The table below shows the Managers' estimates for the aggregate EBITA (earnings before interest, tax and amortisation) of the portfolio and of the tracked universe. The tracked universe is those companies in the NSCI (XIC) that the Managers follow closely and represents 95% by value of the NSCI (XIC). Oil and gas production companies are excluded since their profits are volatile and distort the underlying message of the majority of companies.

Change in aggregate EBITA	2020	2021	2022	2023	4 years
Portfolio ex oil & gas producers	-46%	+53%	+27%	+12%	+17%
Tracked universe ex oil & gas producers	-37%	+41%	+21%	+4%	+11%

The table demonstrates the cyclicality of the portfolio, for worse on the way down in 2020 and for better in the subsequent years. The recovery profile reflects considerations of the second wave of the virus, lockdowns, lasting economic effects, changing societal behaviours and the vaccines. Certain individual forecasts will no doubt prove inaccurate, but the Managers believe the framework to be useful.

The impact on profits shown in the table misses another factor. In the absence of Covid-19 and recession for any other reason, profits would have grown each year. By 2023, profits would have been around 25% higher than they are now expected to be, which is a quantification of the opportunity cost of the pandemic. However, the important point for equity valuations is that the recovery does take place: the resilience and nimbleness of small companies has allowed them to stay in the game to benefit from economic recovery and normalisation. For much of the Covid-19 period, the stockmarket appeared to doubt the viability of many businesses and was valuing them as if they would not make it through to the recovery.

Sector

Since 2016's EU referendum sterling has weakened against other currencies, which has fostered the development of a strong sectoral theme within UK equities in general and within the portfolio. The share price returns of overseas facing companies within the NSCI (XIC) have been much stronger than those of companies oriented towards the domestic economy. As performance of the two groups diverged and as the Managers compared stockmarket valuations with the medium to long term prospects of individual companies, more opportunities arose among the domestic cohort. Consequently, ASLIT had a greater exposure to domestic businesses before the onset of Covid-19. This remained the case at 30 June 2020, with 57% of the underlying revenues of the investee companies generated in the UK.

This positioning was challenged by the pandemic and the peculiar nature of the downturn that ensued from the imposition of lockdown. The share prices of domestic companies suffered particularly badly, which took their share price under-performance against overseas facing businesses since the referendum to 27%. This was a handicap to ASLIT's performance. However, such was the severity of the share price declines that the valuations of domestic businesses reached levels that suggested widespread imminent failure. Equity issues and official support suggested that this was unlikely, even as evidence was developing that the virus could be controlled. ASLIT's domestic exposure therefore remained and benefited performance in November and

December as vaccines brought an end to lockdown conditions into view and as the Brexit trade deal removed a source of deep uncertainty.

Balance sheets

The table below sets out the development of the portfolio's exposure to four categories of holding. The categories are determined by the balance sheet position of each company. The estimates underlying the future years are the Managers'.

Portfolio weight	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
2019	31%	52%	13%	4%
2020	27%	39%	25%	9%
2021	32%	47%	17%	3%
2022	36%	51%	12%	1%

*Includes loss-makers, IPOs and lenders

The portfolio came into 2020 with balance sheets in a good position. The decisive general election results at the end of 2019 promised to reduce political uncertainty and to release economic activity. That optimism was overtaken by the onset of Covid-19. Balance sheets that were secure in normal conditions were suddenly challenged in a manner that few had anticipated. That challenge is evident in the much higher proportion of the portfolio exposed to companies with leverage above 2x in 2020 compared with 2019. Existing lenders have eased their terms and government facilities have helped, but the pressure on liquidity and balance sheets saw numerous equity issues in calendar 2020.

ASLIT supported five equity issues by its investee companies in calendar 2020, with an aggregate sum of £1.7m committed. The Managers did not back every issue offered, but sought to prioritise those companies that they calculated needed the funds most and where, therefore, the pricing of the deal offered most upside. There were fewer equity issues in the six months to 31 December 2020, which in part reflects the efforts undertaken by companies to address liquidity issues in other ways and the fact that the year did not develop quite so badly as might have been feared amid the first lockdown. In this period, two of the issues noted above took place, in which ASLIT invested £0.5m. It is likely that 2021 will see further equity issues as companies seek to rebuild working capital as their revenues start the recovery.

Returning to the table above, it can be seen that the portfolio's exposure to higher leverage reduces in 2021 and 2022. This reflects the underlying generation of free cash flow by the investee companies – no further equity issues are assumed. The ability of the portfolio's holdings to pay down debt in this fashion underscores their viability and relevance. While cyclical, these companies are well run and resilient – they are not zombies.

Income

Dividends paid by UK companies – large and small – suffered their worst year in the post war era in 2020: the London Business School calculates that aggregate dividends from NSCI (XIC) constituents fell by 52% in real terms. In 2009, which was previously the worst year, the decline was "just" 22%. ASLIT's Revenue Investment Income, again adjusted for special dividends, has shared the NSCI (XIC)'s pain, though the effect has been split over the last and the current financial years. The table below gives a different perspective on the portfolio's dividend experience, categorising the holdings by their most recent dividend action.

Managers' Report

Cut to zero	Other cuts	Unchanged payer	Higher	Nil payer
30	20	3	15	2

The lesson of 2009 was that the dividend cuts were quickly forgotten as growth recommenced in 2010. Given how much further dividends fell in 2020, growth in 2021 is likely but the trajectory of the recovery is important. The early signs are encouraging, with recent months seeing several companies return to the dividend register after having cut to zero amid the deep uncertainty of the first half of calendar 2020. Within the portfolio, four holdings reinstated dividends in the form of a bonus issue of shares and another seven reinstated cash dividends. The bonus issues, while dilutive, maintain discipline and provide a bridge to reinstated cash returns to shareholders. The Managers believe that dividends are a crucial component of equity returns and continue their engagement with the boards of investee companies. However, it is important to emphasise that the Managers would not jeopardise a company's viability or ability to undertake profitable investments for the sake of a dividend.

Corporate activity

Calendar 2020 was tremendously busy for corporate activity. The earlier months were dominated by equity issues to address pressure on companies' liquidity. In the six months to 31 December 2020, there were fewer equity issues, but M&A picked up strongly. In calendar 2020 as a whole, takeovers of 17 companies within NSCI (XIC) were completed, up from 12 in each of the two previous years. ASLIT held four of the 17. On top of this, bids for another eight companies were outstanding at 31 December 2020. The buyers were a mix of domestic and overseas, with both private equity and other corporates featuring. Deal structures also varied: alongside the full takeover, private equity proved willing to take stakes in companies that retained their public market listing. At one level, this upsurge in interest in small UK quoted companies is surprising – stockmarket valuations would seem to indicate that prospects for these businesses are poor. That, though, is the point: other companies and private equity are keen to take advantage of these extremely low valuations. For the Managers, this opportunism is entirely rational. The real issue is that a standard 30% control premium on prevailing share prices does not represent good value for most companies in the portfolio. It may prove necessary to forgo a one day boost to performance and to push back on approaches for investee companies if the valuations are unrealistic.

Turnover

Portfolio turnover – defined as the lower of purchases and sales divided by average month end net assets – was 24% over the twelve months to 31 December 2020, which is up from 20% twelve months earlier. The modest rise in turnover in part reflects the impact of Covid-19 and lockdown on the prospects for some businesses, notwithstanding the overall resilience of the UK's small companies. Where these changes are not fully reflected in share prices, the Managers make sales and look to reinvest in companies with strong upsides. Subsequently, the vaccine news saw the stockmarket rediscover its enthusiasm for some of the cyclical businesses. Some were drastically re-rated close to target valuations, encouraging a rotation of capital to companies with greater upside – the "value roll" – and resulting in a pick-up in turnover.

Active share

At the end of December, ASLIT's active share in relation to the NSCI (XIC) was 76%, above the Managers' target of at least 70%. 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. A higher active share would indicate that a portfolio has a higher chance of performing differently from the index, for better or worse.

Managers’ Report

Valuations

Consideration of valuations at the present time is complicated by the uncertainty of forecasts as the recession takes its effect on companies’ profits. The use of the historical price earnings ratio (PE) – the current share price divided by historical earnings per share – can adjust for this. An additional complication for ASLIT is that it lacks a long history through economic cycles. However, useful historical context can be achieved through comparison with the portfolio PE of Aberforth’s longest standing fund, whose inception was in 1990.

At 31 December 2019, the portfolio’s historical price earnings ratio — was 10.1x. This compares with a 30 year average of 11.5x for the long standing Aberforth portfolio and so, even before the onset of Covid-19, the ASLIT’s valuation characteristics were attractive. During 2020, as pessimism intensified, ASLIT’s PE fell as low as 6.3x, before ending the year at 8.6x as share prices recovered in the fourth quarter. At 6.3x, the PE was close to the low points experienced by the long standing Aberforth portfolio over the past 30 years. These points coincided with the recessions in the early 1990s and during the financial crisis of 2008 and 2009.

ASLIT’s PE of 8.6x at 31 December 2020 was 21% lower than the NSCI (XIC)’s 10.8x. Though it was wider at points through 2020, the period end discount of 21% is wider than the 30 year average of 13% for the long standing Aberforth fund. On this measure, therefore, the portfolio’s valuation is at present particularly attractive against small companies as a whole. The stockmarket would appear to be judging that many businesses simply will not make it to the other side of the recession. This gloomy view is hard to reconcile with the progress made by companies through the year and the measures taken to address liquidity pressures. Indeed, some recognition of this came in November as share prices started to adjust to the vaccine news.

Even without a further rise in share prices, ASLIT’s historical PE will rise through 2021 as companies report results in respect of 2020. These results will reflect the impact of lockdown and lower profits. History suggest that share prices can look through the decline in profits to the recovery: the rise in the historical PE of the long standing Aberforth fund in the early 1990s from 7x to 19x was driven by a combination of lower historical profits and rising share prices as the stockmarket anticipated recovery. Indeed, low historical valuations have been a useful gauge of likely future returns – unsurprisingly, a lower starting PE today increases the chance of a higher return over five years.

The table below brings forecasts into the valuation analysis for the portfolio and for the tracked universe. The ratio used here is EV/EBITA (enterprise value to earnings before interest, tax and amortisation), which is the Managers’ preferred valuation metric. Also shown are the ratios for a subset of growth stocks within the NSCI (XIC), along with those of the rest, which highlights the valuation stretch at the present time.

EV/EBITA	2020	2021	2022	2023
ASLIT’s portfolio	11.9x	9.4x	7.8x	6.5x
Tracked universe (253 stocks)	15.2x	12.1x	10.0x	8.8x
- 42 growth stocks	22.8x	19.4x	16.9x	14.8x
- 211 other stocks	14.0x	11.1x	9.1x	8.0x

The profit forecasts underlying the ratios in the outer years are the Managers’ and are established from the bottom-up analysis of the portfolio’s holdings. The forecasts will evolve and are influenced by the second lockdown, official support measures and the vaccine news. They are also framed in the context of the likely longer term economic impact of Covid-19, as companies cut costs and as consumer behaviour adjusts to higher unemployment. Consistent with the commentary above, the EV/EBITA ratios imply a robust recovery over the next few years, with aggregate EBITA in 2023 estimated to be back to 2019 levels.

The table below provides characteristics of ASLIT's portfolio, including the historical PE ratios that were addressed above. It also shows historical dividend yield and dividend cover data, which are higher for the portfolio than for the NSCI (XIC). The portfolio's 3.0% yield reflects most of the deep dividend downturn: the full impact will come through as investee companies with December year ends report their full year results in the first quarter of 2021.

	31 December 2020		31 December 2019	
Portfolio Characteristics	**ASLIT**	**NSCI (XIC)**	ASLIT	NSCI (XIC)
Number of companies	**70**	**334**	65	346
Weighted average market capitalisation	**£641m**	**£866m**	£617m	£883m
Price earnings (PE) ratio (historical)	**8.6x**	**10.8x**	10.1x	14.9x
Dividend yield (historical)	**3.0%**	**1.5%**	4.5%	3.2%
Dividend cover	**3.9x**	**6.2x**	2.2x	2.1x

Conclusion & Outlook

It is difficult to do justice to just how extraordinary the recent period has been. A normal half year would have been defined by the recently decided presidential election, remarkable for the conduct of the incumbent, or, closer to home, by the on-going wrangling over a trade deal with the EU. Both these issues have, of course, been overwhelmed by the continued impact of Covid-19. The stockmarket's initial verdict on the coronavirus was abrupt and decisive: the share prices of the strong but cyclical businesses favoured by ASLIT were crushed, while the share prices of the highly valued technology companies benefiting from lockdown conditions rose further. ASLIT's performance in the second half of the financial year to 30 June 2020 suffered accordingly.

The Managers do not disagree with the stockmarket's differentiation between those two cohorts of companies in the context of the onset of the coronavirus or with the proposition that the prospects of some businesses have been fundamentally changed by the pandemic. However, the degree of the differentiation was harder to understand, unless numerous inherently profitable businesses were going to fail. As government and shareholders offered their support and as management teams took the necessary actions, it became clear that this would not happen. Additionally, the stockmarket's reasoning only went so far: it was fascinated with the ingenuity underlying the technology businesses that benefited from pandemic conditions, but did not appear to contemplate which companies might benefit from the astonishing human endeavour involved in developing the vaccines. From this it was clear that much of the universe of small UK quoted companies, already more attractively valued than usual at the start of the year, was offering exceptional value.

The vaccine news went on to challenge the stockmarket's prejudices and, alongside the Brexit trade deal, led to improvement in ASLIT's performance and allowed the year to end in a more encouraging fashion. The recovery is, though, in its early days and the portfolio's valuations remain lower than long term historical averages. This in part reflects lingering uncertainty about Covid-19: in January, the world is grappling with a new more highly transmissible variant of the virus, which is necessitating incremental lockdown measures in the UK and elsewhere. Nevertheless, the vaccines continue to be rolled out and thus allow markets to contemplate prospects beyond the duration of the current lockdown.

Managers' Report

Looking, therefore, to the medium term, an important component in the opportunity offered by ASLIT today is normalisation – of social behaviours, of economic activity, of profits and of share prices. This is not to assert that there will be a full return to what was normal, since the coronavirus will effect permanent change on societies and economies, not least through the acceleration of pre-existing disruptive trends. However, share prices have already adjusted to this new reality and not all that Covid-19 has wrought will necessarily prove lasting. The markets' on-going efforts to distinguish between the truly long term and ephemeral effects of the virus will provide further investment opportunities.

Further out, the impact of normalisation will inevitably fade, which is likely to bring the broader influences on investment style back to the fore. The disinflationary trend of the past 40 years, accelerated by the extraordinary monetary policies imposed after the global financial crisis, has favoured the growth style. It remains to be seen how the world reacts to the shock of the pandemic. The initial collapse in demand is undoubtedly deflationary, but the supply side has also been affected. On top of this, governments appear to be looking to move on from stimulus policies that have relied heavily on monetary actions. Fiscal spending, sometimes under the banner of "modern monetary theory", is being widely heralded as the solution to the coronavirus deficit, low growth and wealth disparity. Even leaving aside the dubious recent record of politicians, fiscal stimulus and a larger role for government usually lead to inflationary pressure.

Despite the complexity of the generational issues that affect the debate between inflation and deflation, the financial markets harbour little doubt. The consensus view is that yesterday's winners will be tomorrow's winners and there is little questioning of taut valuation stretches between and within markets. Government bonds are priced as "return free risks" and most listed companies, in the UK and more broadly, are very lowly valued by the stockmarket.

Accordingly, the upside today from a diversified portfolio of companies selected within a value investment philosophy is much greater than usual. In making this assertion, the Managers are acutely conscious of what ASLIT has endured to get to this point – both in the coronavirus afflicted year of 2020 and over longer periods, exposure to the value investment style has incurred an opportunity cost. However, the sanity check comes through considering the qualities of the underlying companies, which are well run, in command of their balance sheets and able to grow profitably from cycle to cycle. These viable businesses benefit from innovation and provide us with essential products and services – they merit higher valuations from the stockmarket. As 2019 and the final calendar quarter of 2020 showed, the scope for strong total returns is considerable. The Managers are optimistic about ASLIT's prospects and have added meaningfully to their shareholdings through 2020.

Aberforth Partners LLP
Managers

22 January 2021

Investment Portfolio

Fifty Largest Investments as at 31 December 2020

No.	Company	Valuation £'000	% of Total	Business Activity
1	Reach	7,965	4.2	UK newspaper publisher
2	Vesuvius	6,372	3.4	Metal flow engineering
3	Brewin Dolphin Holdings	5,893	3.1	Private client fund manager
4	Morgan Advanced Materials	5,851	3.1	Manufacture of carbon & ceramic materials
5	Bloomsbury Publishing	5,779	3.1	Independent publishing house
6	TI Fluid Systems	5,529	2.9	Automotive parts manufacturer
7	Wincanton	5,465	2.9	Logistics
8	Redde Northgate	4,983	2.6	Van rental
9	CMC Markets	4,432	2.4	Financial derivatives dealer
10	Vistry Group	4,283	2.3	Housebuilding
	Top Ten Investments	**56,552**	**30.0**	
11	Paypoint	4,136	2.2	Alternative payment services
12	Forterra	4,007	2.1	Manufacture of bricks
13	Keller	3,914	2.1	Ground engineering services
14	Rathbone Brothers	3,852	2.0	Private client fund manager
15	STV Group	3,829	2.0	Multi-channel digital media
16	Vitec Group	3,786	2.0	Photographic & broadcast accessories
17	Provident Financial	3,742	2.0	Personal credit provider
18	Essentra	3,662	2.0	Filters & packaging products
19	Anglo Pacific Group	3,571	1.9	Natural resources royalties
20	McKay Securities	3,531	1.9	Property - London & South East offices
	Top Twenty Investments	**94,582**	**50.2**	
21	Eurocell	3,450	1.8	Manufacture of UPVC building products
22	Vectura Group	3,368	1.8	Inhaled pharmaceuticals - respiratory specialism
23	Castings	3,198	1.7	Engineering - automotive castings
24	Drax Group	3,184	1.7	Electricity generation
25	Sabre Insurance Group	3,151	1.6	Car insurance
26	Bakkavor Group	3,046	1.6	Food manufacturer
27	Wilmington Group	2,921	1.6	Business publishing & training
28	Crest Nicholson	2,798	1.5	Housebuilding
29	TT Electronics	2,734	1.5	Sensors & other electronic components
30	Rank Group	2,643	1.4	Multi-channel gaming operator
	Top Thirty Investments	**125,075**	**66.4**	

Investment Portfolio

Fifty Largest Investments as at 31 December 2020

No.	Company	Valuation £'000	% of Total	Business Activity
31	RM	2,524	1.3	IT services for schools
32	Kenmare Resources	2,428	1.3	Miner of titanium minerals
33	RPS Group	2,361	1.3	Energy & environmental consulting
34	Ultra Electronics Holdings	2,348	1.3	Specialist electronic & software technologies
35	Micro Focus	2,316	1.2	Legacy software assets
36	DFS Furniture	2,260	1.2	Furniture retailer
37	International Personal Finance	2,256	1.2	Home credit provider
38	RHI Magnesita	2,175	1.2	Refractory products
39	Headlam Group	2,167	1.1	Distributor of floor coverings
40	Topps Tiles	2,092	1.1	Ceramic tile retailer
	Top Forty Investments	**148,002**	**78.6**	
41	Zegona Communications	2,066	1.1	Telecommunications
42	Chesnara	2,051	1.1	Life insurance
43	Conduit Holding	1,997	1.1	Bermuda based (re)insurer
44	Go-Ahead Group	1,991	1.0	Bus & rail operator
45	Centamin	1,855	1.0	Gold miner
46	Senior	1,839	1.0	Aerospace & automotive engineering
47	Stagecoach Group	1,821	1.0	Bus & rail operator
48	SIG	1,737	0.9	Specialist building products distributor
49	Devro	1,728	0.9	Sausage casings
50	PageGroup	1,719	0.9	Recruitment
	Top Fifty Investments	**166,806**	**88.6**	
	Other Investments (20)	21,524	11.4	
	Total Investments	**188,330**	**100.0**	
	Net Liabilities	(53,880)		
	Total Net Assets	**134,450**		

Hurdle Rates & Redemption Yields

Hurdle Rates[1]

	Ordinary Shares Hurdle Rates to return			ZDP Shares Hurdle rates to return	
	100p	Share Price	Zero Value	127.25p	Zero Value
At 31 December 2020	**9.9%**	**1.3%**	**(26.7%)**	**(26.7%)**	**(81.4%)**
At 30 June 2020	15.1%	1.4%	(19.1%)	(19.1%)	(75.6%)
Inception[1]	1.5%	n/a	(17.0%)	(17.0%)	(57.2%)

Redemption Yields[1] & Terminal NAVs[1] (Ordinary Shares) as at 31 December 2020

Capital Growth (per annum)	Ordinary Share Redemption Yields[1] Dividend Growth (per annum)					Terminal NAV[1]
	-20.0%	-10.0%	+0.0%	+10.0%	+20.0	
-20.0%	**-32.1%**	**-31.2%**	**-30.2%**	**-29.2%**	**-28.2%**	**11.4p**
-10.0%	**-12.6%**	**-12.1%**	**-11.5%**	**-10.9%**	**-10.3%**	**33.7p**
0.0%	**2.7%**	**3.1%**	**3.5%**	**3.9%**	**4.3%**	**63.0p**
+10.0%	**16.3%**	**16.6%**	**16.9%**	**17.2%**	**17.6%**	**100.7p**
+20.0%	**29.1%**	**29.3%**	**29.5%**	**29.8%**	**30.1%**	**147.9p**

[1] Defined in the Glossary on pages 24 to 25.

The valuation statistics in the tables above are projected, illustrative and do not represent profit forecasts. There is no guarantee these returns will be achieved.

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. This process was in operation during the period ended 31 December 2020 and continues in place up to the date of this report. The Company's capital structure is such that the underlying value of assets attributable to the Ordinary Shares is geared by the rising capital entitlements of the ZDP Shares and accordingly the Ordinary Shares should be regarded as carrying above average risk. The Company also has a £2 million overdraft facility, which when utilised increases the level of gearing. Mitigating factors in the Company's risk profile include that it has a relatively simple capital structure, invests in a diversified portfolio of small UK quoted companies, and outsources all of its main operational activities to recognised, well established firms.

The principal risks faced by the Company relate to investment policy/performance, market risk, structural conflicts of interest, fall in income, loss of key investment personnel and regulatory risk. The main risks from its financial instruments are market price risk, credit risk, liquidity risk and interest rate risk. An explanation of the risks and how they are managed can be found in the 2020 Annual Report. These principal risks and uncertainties continue to apply as disclosed in the 2020 Annual Report. The Directors have separated market risk as a principal risk from investment policy/performance risk. Market risk factors can affect the prices of investments and the Board and Managers closely monitor economic and political developments. Market risk includes the impact of the Covid-19 pandemic and government responses, which are described in the Managers' Report. The Managers continue to follow the Company's investment policy and adhere to the value investment strategy. The Covid-19 pandemic has also affected the firms providing outsourced services to the Company and they have been required to deploy alternative operational practices, including staff working remotely, to ensure continued business service.

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. In assessing going concern the Board considered the impact of Covid-19. 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 six months to 31 December 2020 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
Angus Gordon Lennox
Chairman
22 January 2021

Income Statement

(unaudited)

For the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 Revenue £'000	 Capital £'000	 Total £'000
Realised net (losses)/gains on sales		–	(3,051)	(3,051)
Movement in fair value		–	41,922	41,922
Net gains/(losses) on investments		–	38,871	38,871
Investment income		2,565	–	2,565
Investment management fee	3	(167)	(390)	(557)
Portfolio transaction costs		–	(115)	(115)
Other expenses		(154)	–	(154)
Net return before finance costs and tax		2,244	38,366	40,610
Finance costs:				
Appropriation to ZDP Shares	8	–	(945)	(945)
Interest expense and overdraft fee		(1)	(2)	(3)
Return on ordinary activities before tax		2,243	37,419	39,662
Tax on ordinary activities		(8)	–	(8)
Return attributable to Equity Shareholders		2,235	37,419	39,654
Returns per Ordinary Share	5	1.17p	19.67p	20.84p

Dividends

On 22 January 2021, the Board declared a first interim dividend for the year ending 30 June 2021 of 0.92p per Ordinary Share, which will be paid on 9 March 2021.

Income Statement

Six months ended 31 December 2019			Year ended 30 June 2020		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	8,307	8,307	–	(16,001)	(16,001)
–	23,601	23,601	–	(43,878)	(43,878)
–	31,908	31,908	–	(59,879)	(59,879)
5,447	78	5,525	7,404	78	7,482
(242)	(565)	(807)	(459)	(1,071)	(1,530)
–	(253)	(253)	–	(490)	(490)
(189)	–	(189)	(349)	–	(349)
5,016	31,168	36,184	6,596	(61,362)	(54,766)
–	(912)	(912)	–	(1,830)	(1,830)
(1)	(2)	(3)	(1)	(2)	(3)
5,015	30,254	35,269	6,595	(63,194)	(56,599)
–	–	–	–	–	–
5,015	30,254	35,269	6,595	(63,194)	(56,599)
2.64p	15.90p	18.54p	3.47p	(33.22)p	(29.75)p

Reconciliation of Movements in Shareholders' Funds

(unaudited)

For the six months ended 31 December 2020

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30 June 2020	1,902	187,035	(95,786)	6,801	99,952
Return on ordinary activities after tax	–	–	37,419	2,235	39,654
Equity dividends paid (Note 4)	–	–	–	(5,156)	(5,156)
Balance as at 31 December 2020	**1,902**	**187,035**	**(58,367)**	**3,880**	**134,450**

For the year ended 30 June 2020

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30 June 2019	1,902	187,035	(32,592)	8,596	164,941
Return on ordinary activities after tax	–	–	(63,194)	6,595	(56,599)
Equity dividends paid (Note 4)	–	–	–	(8,390)	(8,390)
Balance as at 30 June 2020	1,902	187,035	(95,786)	6,801	99,952

For the six months ended 31 December 2019

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30 June 2019	1,902	187,035	(32,592)	8,596	164,941
Return on ordinary activities after tax	–	–	30,254	5,015	35,269
Equity dividends paid (Note 4)	–	–	–	(5,517)	(5,517)
Balance as at 31 December 2019	1,902	187,035	(2,338)	8,094	194,693

Balance Sheet

(unaudited)

As at 31 December 2020

	31 December 2020 £'000	30 June 2020 £'000	31 December 2019 £'000
Fixed assets:			
Investments at fair value through profit or loss (Note 6)	**188,330**	151,999	244,295
Current assets			
Other debtors	**196**	466	813
Cash at bank	**439**	90	1,257
	635	556	2,070
Creditors (amounts falling due within one year)			
Bank overdraft	**(986)**	–	–
Other creditors	**(36)**	(55)	(42)
	(1,022)	(55)	(42)
Net current (liabilities) / assets	**(387)**	501	2,028
Total assets less current liabilities	**187,943**	152,500	246,323
Creditors (amounts falling due after more than one year)			
ZDP Shares (Note 8)	**(53,493)**	(52,548)	(51,630)
TOTAL NET ASSETS	**134,450**	99,952	194,693
CAPITAL AND RESERVES: EQUITY INTERESTS			
Share Capital:			
Ordinary Shares	**1,902**	1,902	1,902
Reserves:			
Special reserve	**187,035**	187,035	187,035
Capital reserve	**(58,367)**	(95,786)	(2,338)
Revenue reserve	**3,880**	6,801	8,094
TOTAL SHAREHOLDERS' FUNDS	**134,450**	99,952	194,693
Net Asset Value per Ordinary Share (Note 7)	**70.67p**	52.54p	102.34p
Net Asset Value per ZDP Share price (Note 7)	**112.47p**	110.48p	108.55p

Approved and authorised for issue by the Board of Directors on 22 January 2021 and signed on its behalf by:

Angus Gordon Lennox
Chairman

Cash Flow Statement

(unaudited)

For the six months ended 31 December 2020

	Six months ended 31 December 2020 £'000	Six months ended 31 December 2019 £'000	Year ended 30 June 2020 £'000
Net cash inflow from operating activities	**1,989**	4,774	6,048
Investing activities			
Purchases of investments	**(15,372)**	(28,995)	(55,646)
Sales of investments	**17,905**	29,936	57,019
Cash inflow from investing activities	**2,533**	941	1,373
Financing activities			
Equity dividends paid (Note 4)	**(5,156)**	(5,517)	(8,390)
Interest and fees paid	**(3)**	(3)	(3)
Cash (outflow) from financing activities	**(5,159)**	(5,520)	(8,393)
Change in cash during the period	**(637)**	195	(972)
Cash at the start of the period	**90**	1,062	1,062
Cash / (overdraft) at the end of the period	**(547)**	1,257	90

Notes to the Financial Statements

1. Accounting Standards

The financial statements have been presented under Financial Reporting Standard 104 (FRS 104) and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued in 2019. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of the Company's investments as described below. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates. The Board confirms that no significant accounting judgements or estimates have been applied to the financial statements and therefore there is not a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. All revenue and capital items in the Income Statement are derived from continuing operations. No operations were acquired or discontinued in the period. The accounting policies used for the period ended 30 June 2020 have been applied.

2. Alternative Performance Measures

Alternative Performance Measures (APMs) are measures that are not defined under the requirements of 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. These APMs are also a component of management reporting to the Board. A glossary of the APMs can be found on page 24.

3. Investment Management Fee

The Managers, Aberforth Partners LLP, receive an annual management fee, payable quarterly in advance, equal to 0.75% of the Company's Total Assets.

4. Dividends

	Six months ended 31 December 2020 £'000	Six months ended 31 December 2019 £'000	Year ended 30 June 2020 £'000
Amounts recognised as distributions to equity holders:			
Second interim dividend of 2.71p for the year ended 30 June 2019 (paid 30/08/19)	–	5,156	5,156
Special dividend of 0.19p for the year ended 30 June 2019 (paid 30/08/19)	–	361	361
First interim dividend of 1.51p for the year ended 30 June 2020 (paid 06/03/20)	–	–	2,873
Second interim dividend of 2.71p for the year ended 30 June 2020 (paid 28/08/20)	**5,156**	–	–
Total	**5,156**	5,517	8,390

The first interim dividend for the year ending 30 June 2021 of 0.92p (2020: 1.51p) per Ordinary Share will be paid on 9 March 2021 to holders of Ordinary Shares on the register on 12 February 2021. The ex dividend date is 11 February 2021. The first interim dividend has not been recorded in the financial statements as at 31 December 2020. Deducting the first interim dividend from the Company's revenue reserves at 31 December 2020 leaves revenue reserves equivalent to 1.1p per Ordinary Share.

Notes to the Financial Statements

5. Returns per Share

Period ended:	**31 December 2020**	31 December 2019	30 June 2020
Net return	**£39,654,000**	£35,269,000	£(56,599,000)
Weighted average Ordinary Shares in issue	**190,250,000**	190,250,000	190,250,000
Return per Ordinary Share	**20.84p**	18.54p	(29.75)p
Appropriation to ZDP Shares	**£945,000**	£912,000	£1,830,000
Weighted average ZDP Shares in issue	**47,562,500**	47,562,500	47,562,500
Return per ZDP Share	**1.99p**	1.92p	3.85p

6. 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.

Level 3 – using inputs that are unobservable for which market data is unavailable.

All investments are held at fair value through profit or loss. As at the reporting dates all investments are traded on a recognised stock exchange and have been classified as Level 1 except for one investment with a value of £0.72m as at 31 December 2020 which is Level 3 as a result of its share price being suspended.

7. Net Asset Value ("NAV") per Share

The Net Assets and the Net Asset Value per Share attributable to the Ordinary Shares and ZDP Shares as at 31 December 2020 are as follows.

	Ordinary Shares	**ZDP Shares**	**Total Assets**
Net assets attributable	£134,450,000	£53,493,000	£187,943,000
Number of Shares	190,250,000	47,562,500	237,812,500
NAV per Share (a)	**70.67p**	**112.47p**	**79.03p**
Dividend reinvestment factor[1] (b)	1.181744	–	1.130547
NAV per Share on a total return basis at 31 December 2020 (c) = (a) x (b)	83.51p	112.47p	89.35p
NAV per Share on a total return basis at 30 June 2020 (d)	58.85p	110.48p	70.04p
Total Return performance (c) ÷ (d) - 1	**41.9%**	**1.8%**	**27.6%**

[1] Defined in the Glossary on pages 24 to 25.

Notes to the Financial Statements

8. Zero Dividend Preference Shares

Period ended:	**31 December 2020 £'000**	30 June 2020 £'000	31 December 2019 £'000
Opening balance	**52,548**	50,718	50,718
Issue costs amortised during the period	**23**	43	21
Capital growth of ZDP Shares	**922**	1,787	891
Closing balance	**53,493**	52,548	51,630

9. Share Capital

	31 December 2020 Shares	**£'000**
Issued		
Ordinary Shares of 1p each	190,250,000	1,902
ZDP Shares of 1p each	47,562,500	476
Total issued and allotted	**237,812,500**	**2,378**

There have been no changes in the issued share capital since the launch of the Company on 3 July 2017.

10. Related Party Transactions

Under UK GAAP, the Directors have been identified as related parties and their fees and interests are disclosed in the 2020 Annual Report. During the period no Director or entity controlled by a Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

11. Further Information

The foregoing do not constitute statutory accounts of the Company (as defined in section 434(4) of the Companies Act 2006). The financial information for the period ended 30 June 2020 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 period to 31 December 2020 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.

Glossary of UK GAAP Measures

Net Asset Value also described as Shareholders' Funds, is the value of total assets less all liabilities. The Net Asset Value or NAV per Ordinary Share is calculated by dividing this amount by the total number of Ordinary Shares in issue.

Net Asset Value (ZDP Share) is the value of the entitlement to the ZDP Shareholders. The Net Asset Value or NAV per ZDP Share is calculated by dividing this amount by the total number of ZDP Shares in issue.

Glossary of Alternative Performance Measures

Total Assets Total Return represents the return of the combined funds of the Ordinary Shareholders and ZDP Shareholders assuming that dividends paid to Ordinary Shareholders were reinvested at the NAV per Ordinary Share at the close of business on the day the Ordinary Shares were quoted ex dividend.

Ordinary Share NAV Total Return represents the theoretical return on the NAV per Ordinary Share, assuming that dividends paid to Shareholders were reinvested at the NAV per Ordinary Share at the close of business on the day the shares were quoted ex dividend.

ZDP Share NAV Total Return represents the return on the NAV value of a ZDP Share. The ZDP Share NAV as at 31 December 2020 was 112.47p (30 June 2020: 110.48p).

Ordinary Share Price Total Return represents the theoretical return to an Ordinary Shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the Ordinary Shares of the Company at the close of business on the day the shares were quoted ex dividend.

ZDP Share Price Total Return represents the theoretical return to a ZDP Shareholder, on a closing market price basis.

Discount is the amount by which the stockmarket price per Share is lower than the NAV per Share. The discount is normally expressed as a percentage of the NAV per Share.

Premium is the amount by which the stockmarket price per Share exceeds the NAV per Share. The premium is normally expressed as a percentage of the NAV per Share.

Glossary

Other Glossary Terms

Active Share Ratio is the sum of the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all stocks in the portfolio or index. The total is then divided by two to give a ratio between 0% and 100%. Active Share is addressed in "How Active is Your Fund Manager?" (Antti Petajisto and Martijn Cremers, Yale School of Management, 2009).

Dividend Reinvestment Factor is calculated on the assumption that dividends paid by the Company were reinvested into Ordinary Shares of the Company at the NAV per Ordinary Share or the share price, as appropriate, on the day the Ordinary Shares were quoted ex dividend.

Gearing is calculated by dividing the asset value attributable to the ZDP Shares by the asset value attributable to the Ordinary Shares.

Glossary

Hurdle Rate is the rate of capital growth per annum in the Company's investment portfolio to return a stated amount per Share at the planned winding-up date.

Ongoing Charges represents the percentage per annum of investment management fees and other operating expenses to the average published Ordinary Shareholders' NAV over the period.

Portfolio Turnover is calculated by summing the lesser of purchases and sales over the relevant period divided by the average portfolio value for that period.

Projected Final Cumulative Cover is the ratio of the total assets of the Company as at the calculation date, to the sum of the assets required to pay the final capital entitlement of 127.25p per ZDP Share on the planned winding-up date and future estimated investment management fees charged to capital and estimated winding-up costs.

Redemption Yield (Ordinary Share) is the annualised rate at which projected future income and capital cash flows (based on assumed future capital/dividend growth rates) is discounted to produce an amount equal to the share price at the date of calculation.

Redemption Yield (ZDP Share) is the annualised rate at which the total discounted value of the planned future payment of capital equates to its share price at the date of calculation.

Retained Revenue per Share is a cumulative figure calculated after accounting for dividends, including those not yet recognised in the financial statements.

Terminal NAV (Ordinary Share) is the projected NAV per Ordinary Share at the planned winding-up date at a stated rate of capital growth in the Company's investment portfolio after taking into account the final capital entitlement of the ZDP Shares, future estimated costs charged to capital and estimated winding-up costs.

Key Dates

Company Incorporation Date	19 April 2017
Inception Date	30 June 2017
Launch/Listing Date	3 July 2017
Planned Winding-Up Date	1 July 2024

Corporate Information

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Angus Gordon Lennox (Chairman)
Graeme Bissett
Dominic Fisher, OBE
Lesley Jackson
Graham Menzies

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Security Codes

	Ord Shares	ZDP Shares
SEDOL:	BYPBD39	BYPBD51
Bloomberg:	ASIT LN	ASIZ LN

GIIN: JM0CLZ.99999.SL.826
LEI: 21380013QYWO82NZV529

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