Aberforth UK Small Companies Fund

Annual Report and Financial Statements

31 December 2024

Investment Objective*

The investment objective of the Fund is to seek to achieve a total return, calculated on an income reinvested basis, greater than the Deutsche Numis Smaller Companies Index (excluding Investment Companies) (DNSCI (XIC)) over the long term, with the focus on rolling five year periods.

Contents

* These items comprise the Authorised Fund Manager’s Report for the purposes of the rules contained in the Collective Investment Schemes Sourcebook (“COLL”).

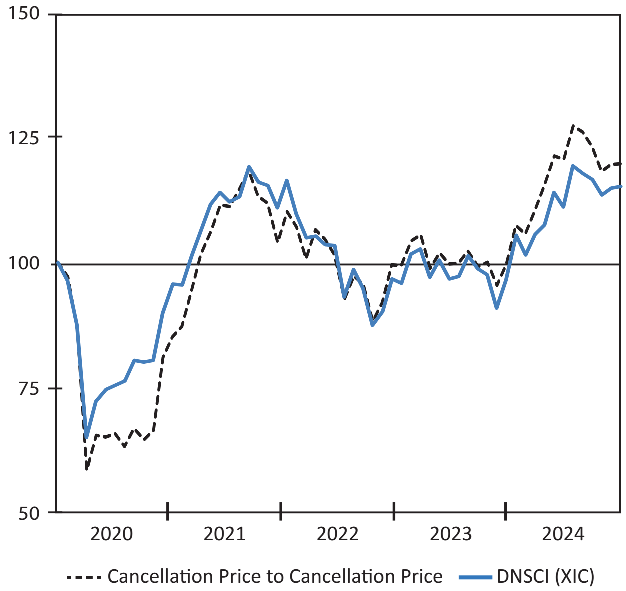
Sources of Further Information

Unitholders can find up-to-date information on the Manager's website at www.aberforth.co.uk. This includes items such as the latest prices, fund statistics including yield, dealing spread and size, as well as information relating to the portfolio, management fee and dividend history. For further information relating to buying and selling units, please see page 35.

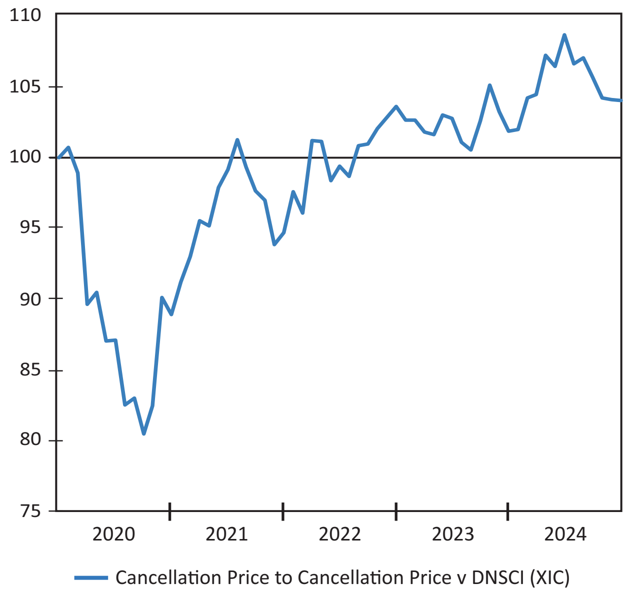
Investment Record

Five Year Investment Record

Absolute Performance
(figures are total returns and have been rebased to 100 at 31 December 2019)



Relative Performance
(figures are total returns and have been rebased to 100 at 31 December 2019)



5 year rolling performance

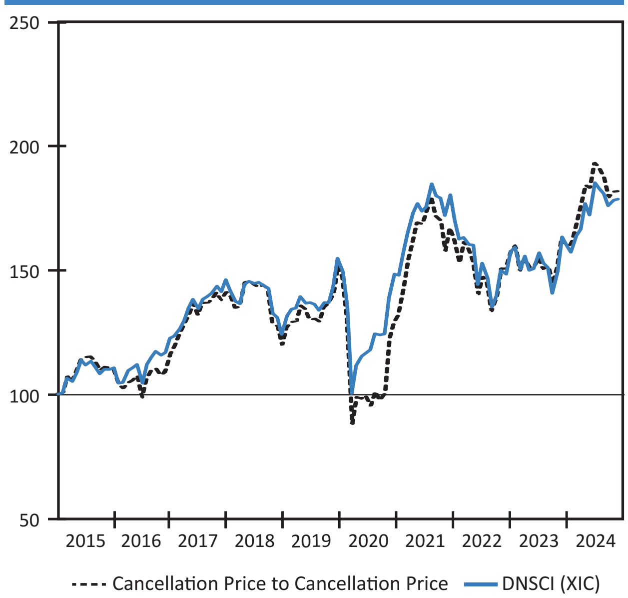
Period	Annualised Returns (%) The Fund[1]	Annualised Returns (%) Index[2]	Cumulative Returns (%) The Fund[1]	Cumulative Returns (%) Index[2]
5 years to 31 Dec 2024	3.8	2.9	20.3	15.6
5 years to 31 Dec 2023	6.4	5.7	36.5	32.1
5 years to 31 Dec 2022	1.3	0.3	6.8	1.5
5 years to 31 Dec 2021	7.6	8.1	44.2	47.8
5 years to 31 Dec 2020	3.2	6.1	17.2	34.6

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

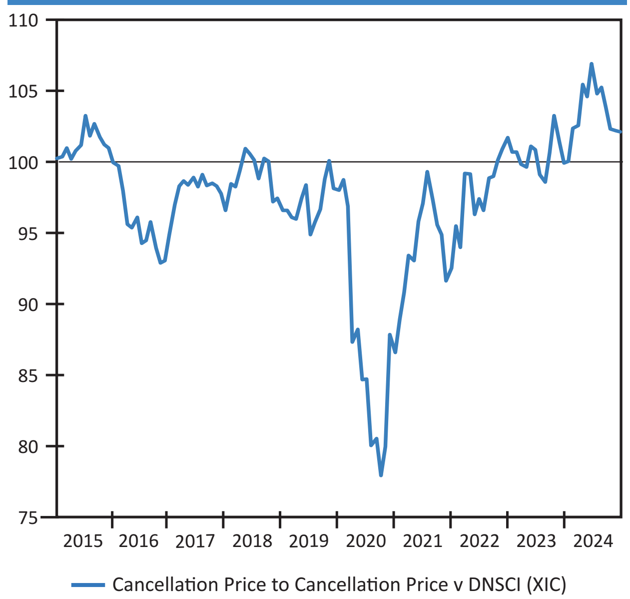
[2] Represents capital appreciation on the Deutsche Numis Smaller Companies Index (excluding Investment Companies) (DNSCI (XIC)) with net dividends reinvested. This index comprises the bottom 10% of the main UK equity market by market value which at 1 January 2025 included 350 companies, the largest market capitalisation of which was £1.9 billion and the aggregate market capitalisation of which was £153 billion.

Ten Year Investment Record

Absolute Performance
(figures are total returns and have been rebased to 100 at 31 December 2014)



Relative Performance
(figures are total returns and have been rebased to 100 at 31 December 2014)



Investment Record

Performance for the year to 31 December 2024	%
The Fund[1]	**11.8**
Benchmark Index[2]	**9.5**

Prices & Yield		2 January 2025[3]	2 January 2024[3]
Accumulation Units	Issue Price	**£345.93**	£307.98
	Cancellation Price	**£339.93**	£302.03
Income Units (xd)	Issue Price	**£216.92**	£199.49
	Cancellation Price	**£213.16**	£195.64
	Yield[4]	**3.3%**	3.8%
Dealing Spread		**1.7%**	1.9%

Size & Charges	31 December 2024	31 December 2023
Total Net Assets	**£145.2m**	£136.1m
Ongoing Charges[5]	**0.81%**	0.82%
Initial Charge	**Nil**	Nil
Exit Charge	**Nil**	Nil

Historical Returns	Discrete Annual Returns (%) The Fund[1,6]	Index[2]
1 year to 31 December 2024	11.8	9.5
1 year to 31 December 2023	8.3	10.1
1 year to 31 December 2022	-10.0	-17.9
1 year to 31 December 2021	30.0	21.9
1 year to 31 December 2020	-15.1	-4.3

Historical Returns	Annualised Returns (%)		Cumulative Returns (%)	
Periods to 31 December 2024	The Fund[1]	Index[2]	The Fund[1]	Index[2]
2 years from 31 December 2022	10.0	9.8	21.1	20.6
3 years from 31 December 2021	2.9	-0.3	9.0	-1.0
4 years from 31 December 2020	9.1	4.8	41.6	20.7
5 years from 31 December 2019	3.8	2.9	20.3	15.6
10 years from 31 December 2014	6.2	6.0	83.0	79.8
15 years from 31 December 2009	9.4	9.0	286.5	266.6
From inception on 20 March 1991	11.2	9.1	3,489.7	1,829.4

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

2 Represents capital appreciation on the Deutsche Numis Smaller Companies Index (excluding Investment Companies) (DNSCI (XIC)) with net dividends reinvested.

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

4 The Yield reflects distributions declared over the past twelve months as a percentage of the mid-market unit price as at the date shown. Investors may be subject to tax on their distributions.

5 This is based on actual expenses for the year. It covers all aspects of operating the Fund during the year including fees paid for investment management, administration, safeguarding the Fund's assets, audit and to the regulator. It does not include payments to your financial advisor or any other firm through which you may invest. You may pay for their services, if any, directly.

6 This table is in accordance with the Financial Conduct Authority's regulations.

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.

Investment Policy and Strategy

Investment Policy

The Fund aims to achieve its objective by investing in small UK quoted companies. These are companies with a market capitalisation, at time of purchase, equal to or lower than the largest company in the bottom 10% of the main UK equity market or companies in the Deutsche Numis Smaller Companies Index (excluding Investment Companies) (DNSCI (XIC)). At 1 January 2025 (the date of the last annual index rebalancing), the index included 350 companies, with an aggregate market capitalisation of £153 billion. Its upper market capitalisation limit was £1.9 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer falls within this definition of a small company, its securities become candidates for sale.

Portfolio risk is spread by diversification of holdings in individual companies: the portfolio will usually have holdings in around 80 small UK quoted companies.

The Fund's policy towards companies quoted on the Alternative Investment Market (AIM) generally precludes investment, except either where an investee company moves from the "Main Market" to AIM (so as to avoid being a forced seller) or where a company quoted on AIM has committed to move from AIM to the "Main Market" (so as to enable investment before a full listing is obtained). The Fund does not invest in any unquoted companies.

The Manager aims to keep the Fund near fully invested in equities at all times and there is normally no attempt to engage in market timing by holding high levels of liquidity.

The Manager believes that small UK quoted companies continue to provide opportunities for positive total returns over the long term. Any material changes to the Fund's investment objective and policy will be subject to Unitholder approval.

Investment Strategy

The Manager adheres to a value investment philosophy. In practice, this approach utilises several valuation metrics, recognising that flexibility is required when assessing businesses in different industries and that buyers of these businesses may include other corporates as well as stockmarket investors. As a result of this philosophy, the Fund's holdings are usually on more attractive valuations than the average for the DNSCI (XIC). While there is good evidence that a value approach within small UK quoted companies results in superior returns over the long term, there can be extended periods when the value style is out of favour.

The Manager selects companies for the portfolio on the basis of fundamental or "bottom-up" analysis. Analysis involves scrutiny of businesses' financial statements and assessment of their market positions. An important part of the process is regular engagement with board members of prospective and existing investments. Holdings are sold typically when their valuations reach targets determined by the Manager.

The DNSCI (XIC) is the Fund's chosen benchmark. It is the reference point for defining the investment objective ("Target benchmark") and evaluating the Fund's performance ("Comparator benchmark"). Although the Fund's portfolio is constructed with reference to UK small companies and the DNSCI (XIC), it can be differentiated from the index. The use of the DNSCI (XIC) as a benchmark reflects the emphasis within the portfolio on small UK quoted companies and the desire to achieve the investment objective by investing in companies whose shares represent relatively attractive value within a given stockmarket environment. If the index is not available, the Manager will use another index which it considers is comparable to the DNSCI (XIC).

In order to facilitate the achievement of the investment objective, the Manager believes that the portfolio must be adequately differentiated from the benchmark index. Therefore, within the diversification parameters described in Investment Policy, the Manager regularly reviews the level of differentiation, with the aim of maximising the active share of the portfolio.

The Fund's eligible markets, as defined in Collective Investment Schemes Sourcebook ("COLL"), are the Official List of the London Stock Exchange plc ("LSE") and the Alternative Investment Market ("AIM") of the LSE. The Fund's base currency is Pounds Sterling.

The capital property of the Fund will consist of transferable securities, as defined in COLL. The Fund will not invest in any immovable property or tangible movable property.

Manager's Report

Introduction

This report has been prepared in accordance with the requirements of COLL as issued and amended by the Financial Conduct Authority.

Status

Aberforth UK Small Companies Fund (the "Fund") was constituted by a Trust Deed dated 17 December 1990 and is an authorised unit trust scheme under the Financial Services & Markets Act 2000 (the "Act"). The Fund is a UCITS scheme as defined by COLL.

Information on Aberforth Unit Trust Managers Limited (the "Manager")

The Manager is wholly owned by Aberforth Partners LLP (the "firm" or "Investment Adviser"). The business was established in 1990 to provide institutional and wholesale investors with a high level of resources focused exclusively on small UK quoted companies. Since then funds under management have grown to £2.1 billion (as at 31 December 2024).

The firm is wholly owned by six partners – five Investment Partners and an Operations Partner, who is responsible for the firm's administration. The investment team comprises the five Investment Partners and one Investment Manager and together they manage the Fund's portfolio on a collegiate basis.

Further information on Aberforth Partners LLP and its clients is available on its website – www.aberforth.co.uk.

Changes to Prospectus

During the year, the Prospectus was updated:-

1. to include a definition of the DNSCI (XIC) and changes throughout the prospectus to reflect the addition of "Deutsche" to the name of the index when referred to;
2. to remove C.N. Watt from the list of directors;
3. to update the address of the Funds' Registrar;
4. to update the status of the index as at 1 January 2024;
5. to remove remaining references to Covid-19;
6. to update historical performance figures; and
7. to reflect the change of name from Link Fund Administrators to Waystone Transfer Agency Solutions (UK) Limited.

Remuneration Policy

The Manager has delegated all investment management activities for the Fund to Aberforth Partners LLP, the investment adviser. The Manager has two independent non executive directors who are remunerated by way of directors' fees. Partners and staff working on the Fund are remunerated by the investment adviser, not the Manager. As investment adviser, Aberforth Partners LLP is subject to regulatory requirements on remuneration in accordance with FCA Rules. Details of its remuneration policy is available on request and on its website www.aberforth.co.uk.

Investment review

As they did in 2023, UK equities made progress in the year to 31 December 2024. The Fund's total return in the period was +11.8%. The DNSCI (XIC), which is the Fund's benchmark, recorded a total return of 9.5%, while that of large companies, in the form of the FTSE All-Share, was also 9.5%.

Investment background

The top-down backdrop for stockmarkets was inauspicious in 2024. The war in Ukraine rumbled on, as did the conflict between Israel and Hamas. The risk of escalation buffeted oil prices and equity valuations. Political uncertainty was an additional challenge. The results of the elections in the UK and the US were broadly as expected, though the markets are now digesting the implications of policy change under the new regimes. Politics are more unclear elsewhere. An election looms in Japan, while South Korea has seen its president attempt to impose martial law. In Europe, June's election for the European parliament was the catalyst for a snap poll in France, where a stable government has yet to be established. Meanwhile, Germany is also facing elections early in 2025 following the collapse of the ruling coalition.

On the economic front, the UK pulled out of the recession in the second half of 2023. The recovery has been tentative so far, but prospects for wage growth above the rate of inflation, lower mortgage rates and high household savings offer encouragement for the coming year. In Europe, Germany continues to struggle to escape recessionary conditions. Its export reliant industrial economy is contending with Chinese and Japanese competition, while demand for its products from China and elsewhere is depressed. The bright spot has remained the US, though even here recent macro-economic data have been patchy and hint at slowing growth.

Manager's Report

Despite these challenges, equities performed well in 2024, even stripping out the boost to the US market from the "Magnificent Seven" and artificial intelligence. The main reason for the broader performance was optimism about the interest rate cycle – for equity markets, the promise of a lower cost of money can overcome a host of other issues. The prospect of lower rates was fuelled by that lacklustre growth environment described above and by improving inflation data, as the pace continued to subside from the very high rates of 2022. Interest rate cuts were duly forthcoming, with the European Central Bank cutting in June, the Bank of England in July and the Federal Reserve in September. Stockmarkets' great hope is that the Federal Reserve can achieve the historically elusive "soft landing" – taming inflation without tipping the US economy into recession.

However, towards the end of the year, politics intruded to unsettle the narrative of disinflation and lower interest rates. The Republican clean sweep in America's Presidential and Congressional elections increased the likelihood of potentially inflationary policies, such as trade tariffs, lower immigration and tax cuts. It remains to be seen whether tariffs are implemented in full force or are more of a negotiation tactic. And it is still unclear whether the new Department of Government Efficiency can mitigate the impact of tax cuts on budget deficits. Therefore, the assumption of a swift return to the lower inflation and interest rate environment of the pre-pandemic era has been undermined. It is notable that US bond yields have risen and that the market now expects a slower pace of interest rate cuts than it did before the elections.

In the UK, there have been similar developments. Labour's first Budget in nearly 15 years has clouded the outlook for monetary policy and the economy. It seems likely that changes to the National Living Wage and employers' national insurance contributions will be inflationary, as businesses seek to pass on their cost increases. At the same time, higher government spending and borrowing threatens to crowd out the private sector, which must also contemplate further tax increases if the government's growth ambitions do not transpire as intended. Again, fiscal action jeopardises the outlook for monetary policy: expectations today are now for less significant interest rate cuts than was the case before the Budget. As in the US, the point here is not to judge the merits of government policies. Rather, it is to highlight the unintended consequences of governments' plans for what buoyed stockmarket valuations through 2024, namely expectations of lower interest rates.

Turning to the UK stockmarket, its relevance has been widely questioned in recent years against a backdrop of outflows from equity funds and a dearth of IPO activity. The angst has been shared by regulators and successive governments. Several changes have followed, notably to the listing rules, and more are to come with the new prospectus regime in 2025. Other initiatives may follow, but the new Chancellor's commentary thus far has been rather vague and, as the short-lived flirtation with the UK ISA shows, policy change can be abrupt.

Indeed, reliance on government diktat, with all its unintended consequences, is seldom comfortable. Therefore, other signs of life in the UK stockmarket are more encouraging. Valuations were at a particularly low ebb towards the end of 2023, when the UK's economic and political situation appeared particularly uncertain in comparison with those of other countries. A year on, the UK looks less of an outlier. This has helped to bring tension back into the valuation of UK equities and to elicit a welcome re-rating of small and large companies. At the same time, the identity of the marginal buyers of small UK quoted companies is now clear: larger companies and overseas companies through M&A, overseas asset managers, the companies themselves through buy-backs, and, of course, the Fund.

Analysis of performance and portfolio characteristics

Over the twelve months to 31 December 2024, the Fund's total return was +11.8%. The DNSCI (XIC)'s was +9.5%. The table below is an analysis of the difference between the two numbers. The most important influence on the Fund's return was the total return performance of the companies that make up its portfolio of investments.

Performance for the 12 months ended 31 December 2024	Basis points
Attributable to the portfolio of investments, based on mid prices	
(after transaction costs of 18 basis points)	**368**
Movement in mid to bid price spread	3
Cash/other	(56)
Management fee	(75)
Other expenses	(6)
Total attribution based on bid prices	**234**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the Fund and the Benchmark Index (i.e. the Fund = 11.82%; Benchmark Index = 9.48%; difference is 2.34% being 234 basis points).

Manager's Report

The next table sets out a series of characteristics of both the portfolio and the DNSCI (XIC). The paragraphs that follow provide context and explanation for these characteristics and for the Fund's performance in 2024.

Portfolio characteristics	31 December 2024 The Fund	DNSCI (XIC)	31 December 2023 The Fund	DNSCI (XIC)
Number of companies	**79**	**350**	78	353
Weighted average market capitalisation	**£645m**	**£1,019m**	£590m	£957m
Weighting in "smaller small" companies*	**56%**	**21%**	61%	28%
Portfolio turnover	**25%**	**N/A**	23%	N/A
Active share	**78%**	**N/A**	75%	N/A
Price earnings (PE) ratio (historical)	**9.6%**	**13.0x**	7.9x	12.8x
Dividend yield (historical)	**4.0%**	**3.4%**	4.2%	3.3%
Dividend cover (historical)	**2.6x**	**2.2x**	3.0x	2.3x

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

Style

The Manager invests in accordance with its value investment philosophy. For existing and potential investments, they calculate target valuations. These are influenced by fundamental analysis, judgement informed by experience, and reference to other relevant valuations in equity markets or corporate activity. Growth of profits is an important component of a target valuation, but the Manager finds that stockmarket valuations are often too generous in their assumptions of the sustainability and pace of growth.

The value investment philosophy means that the Fund's returns are influenced by the stockmarket's preference in any period for more expensively priced growth stocks or more modestly rated value stocks. In respect of 2024, analysis by London Business School of the DNSCI (XIC) suggests that the value style performed in line with the growth style, with the latter buoyed in sympathy with America's large technology companies. Style was not, therefore, a significant influence on the Fund's performance in 2024. Over recent years, however, style has been beneficial. Value stocks have out-performed since the recovery from the pandemic started towards the end of 2020. A further boost came as inflation soared in 2022 and drove bond yields higher. While the rate of inflation has declined, the outlook is uncertain, which should maintain interest in the value style all else being equal.

Size

The DNSCI (XIC) includes all main listed stocks in the UK with market capitalisations below c.£1.9bn. It therefore includes many mid cap companies. For much of the period since the global financial crisis in 2008, the Manager has found more attractive valuations down the market capitalisation scale. The Fund has therefore had a relatively high exposure to what might be termed the "smaller small" companies. Since late 2020, as the pandemic recovery commenced, the share prices of "smaller small" companies have performed better than those of the mid caps within the DNSCI (XIC). This was again the case in 2024. The Fund's returns therefore benefited from its size positioning over the past twelve months. Notwithstanding this improved performance from the "smaller smalls", they continue to exhibit more attractive valuation characteristics, as the section on Valuations below demonstrates.

Geography

Where a company earns its profits – whether in the domestic UK economy or overseas – can be influential on its share price performance. The EU referendum in 2016 weakened sterling, which helped profits earned in strong currencies overseas. This ushered in a period of share price out-performance for overseas facing companies. Domestic earners took a further hit in 2020 since they were disproportionately affected by lockdown. These events gave the Manager the opportunity to increase the Fund's weighting to domestic facing companies whose share prices had been disproportionately affected. At the start of 2024, domestic companies accounted for 56% of the portfolio against 50% of the DNSCI (XIC).

Something changed in 2024. The share prices of domestic facing companies out-performed those of the overseas earners by a significant margin. This helped the Fund's investment return. There were several reasons for the change in sentiment. First, there was growing optimism that interest rates cuts will boost the profitability of domestic businesses, allowing their earnings to recover from the 2023 recession. Second, prospects for overseas facing companies were clouded by subdued demand conditions in much of the world and by the risk of US trade tariffs. Additionally, sterling's recent strength against the euro was negative for profits, reversing some of the advantage gained by overseas earners in the wake of the referendum. Towards the year end, the effects of the Budget were felt on the share prices of domestic businesses and the Manager is seeing investment opportunities in both groups of companies.

Despite their recent challenges, the Fund's overseas earners remain strong businesses. The engineering sector is a good example of the resilience. Most engineers listed on the UK stockmarket today, including those owned by the Fund, are truly international businesses. They have grown geographically over the years in response to shifting global demand, locating plants close to those of their customers. Therefore, if the US does impose stringent tariffs on the likes of Mexico, it is probable that these businesses will adapt again, moving capacity from Mexico to their US facilities. Some transitional costs could be incurred to achieve this, but the underlying viability and relevance of the businesses would likely be unaffected.

Balance sheets

The following table sets out the balance sheet profile of the Fund's portfolio and of the Manager's Tracked Universe. This subset of the DNSCI (XIC) represents 98% by value of the index as a whole and is made up of the 234 companies that the Manager follows closely.

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Portfolio: 2024	30%	45%	20%	5%
Tracked universe: 2024	30%	41%	23%	7%

*Includes loss-makers and lenders.

The profile is familiar. Balance sheets are robust both within the portfolio and among small caps in general. Around one third of both the portfolio and index by value is represented by companies with net cash on their balance sheets. The more highly leveraged companies tend to be those with asset backing, such as pub businesses and property companies. It has been argued that small companies are less securely funded than large companies and that they therefore merit lower valuations. Some also claim that value stocks are less securely funded than growth stocks. Neither of these contentions hold true today, which underscores the attractiveness of the Fund's current investment opportunity.

The strength of balance sheets naturally makes the question of capital deployment more urgent. The Manager frequently engages on this issue with the boards of the Fund's investee companies. The highest priority should be organic investment to maintain the viability of a business and allow it to grow. Thereafter, a coherent and appropriate dividend policy is essential, optimally one that allows ordinary dividends to grow in real terms through economic cycles. After that, acquisitions may be considered, but these should be assessed against the benchmark of lower risk special dividends or share buy-backs. It is notable that numerous small companies bought back shares in 2024, which points to the value that boards of directors see in their companies. Within the portfolio, buy-backs were undertaken by 17 companies. At around one fifth of the portfolio, this is the highest rate in the Fund's almost 34 year history.

Income

The table below categorises the Fund's 79 holdings at 31 December 2024 according to each company's most recent dividend action.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	New/Returner
16	12	15	32	4

The message from the analysis is good, with the most populated category being those companies that most recently increased their dividends. There was further benefit from the four companies recommencing dividends or making payments for the first time. The Fund also received two special dividends during the year. Less positively, twelve companies cut their dividends. Seven of these were businesses operating in the domestic economy, usually close to the housing market. Their dividend decisions in 2024 were influenced by the impact of the recession towards the end of 2023. Nevertheless, the Fund's income experience in 2024 was on balance strong. The dividend experience of these last two years is a clear illustration of the resilience of small UK quoted companies in the face of often testing trading conditions.

Manager's Report

The historical dividend yield of the Fund's holdings at 31 December 2024 was 4.0%, which was 26% higher than the average over the Fund's history. Dividend cover was 2.6x, below the long term average of 2.8x. This reflects a weak earnings performance from small companies through 2024, consistent with the recession impact, along with the resilience of dividends previously described. As profits continue their recovery from the downturn, it is likely that dividend cover will return to its long term average.

Corporate activity

Stockmarket valuations in the UK remain attractive and so M&A activity continues apace. If UK institutions and retail investors are willing sellers of domestic equities, larger overseas companies and private equity are willing buyers. In 2024, the takeovers of 15 companies within the DNSCI (XIC) were completed. As the year ended, there were offers outstanding for three and approaches had been made for another two. Of these 20 deals, the buyers were evenly split between private equity and other companies. Most of the acquirers were overseas based, with domestic buyers in six of the situations. Turning to the Fund's experience, it had investments in eight of the 20 takeover targets. Over the years, the Manager's value investment style has meant that the Fund has been a disproportionate beneficiary of M&A activity.

There is nothing wrong with takeovers being the catalyst for the closing of value gaps, but the low valuations that still prevail in the UK stockmarket mean that the risk is high of some takeovers being done on unattractive terms. The risk is exacerbated by boards and other shareholders yielding too quickly to takeover interest, no doubt succumbing to the gloomy sentiment towards the UK. The Manager's approach in such situations is purposeful engagement, as described in the section on Engagement below.

As the attractive valuations of small UK quoted companies draw takeover interest, the corollary is a subdued IPO market. Just two IPOs of a reasonable size and eligible for the DNSCI (XIC) were completed in 2024. The Manager views this dearth of activity as a temporary phenomenon and a function of prevailing valuations. The UK's new listing rules and the imminent changes to the prospectus regime are likely to encourage IPOs once the valuation basis of the UK market recovers.

Engagement

An integral part of Aberforth's investment process since 1990 has been engagement with the boards of the investee companies. The approach to engagement is intended to be purposeful, discreet and constructive. Its purpose is to improve investment outcomes for Aberforth's clients and investors. The Manager engages on any topic that it perceives to be affecting the valuation of a company. The most common issue addressed is capital allocation, though M&A terms were an important topic in 2024.

Engagement includes regular updates with executive directors and also encompasses meetings with non executives. There is a particular focus on the chair, which is the most important role in the UK's system of corporate governance. The Manager is prepared to be taken inside for extended periods, which indicates its commitment to responsible stewardship and which can be helpful to investee companies. The Manager's influence is enhanced by its ability to take significant stakes of up to 25% of issued share capital across its client base. At 31 December 2024, the Fund had five holdings in which Aberforth's clients had a stake of more than 20% in an investee companies and 26 holdings in which the stake exceeded 10%.

The currently high rate of M&A activity within the UK stockmarket makes engagement particularly relevant and explains the recent focus given to it in these reports. The terms of some of the takeovers have been frustrating. Large control premiums have distracted from uninspiring exit valuations and from boards too willing to present faits accomplis to their shareholders. Aberforth has therefore reinforced, in both writing and in meetings, the importance of boards consulting shareholders when they are considering a takeover offer or a significant capital allocation decision. In 2024, there were numerous consultations by companies about M&A. These often involved the Manager going inside. In some cases, the Manager supported the boards in question to reject a takeover approach. In others, they worked with the boards to improve the initial terms offered. This sort of activity can be difficult and time-consuming, but it is important particularly when UK valuations remain at such attractive levels. The Manager is confident that its purposeful, discreet and constructive engagement has enhanced the Fund's returns over time and will continue to do so.

Active share

Active share is a measure of how different a portfolio is from an index. The ratio is calculated as half of the sum of the absolute differences between each stock's weighting in the index and its weighting in the portfolio. The higher a portfolio's active share, the higher its chance of performing differently from the index, for better or worse. The Manager targets an active share ratio of at least 70% for the Fund's portfolio compared with the DNSCI (XIC). At 31 December 2024, it stood at 78%.

Manager's Report

Value roll and portfolio turnover

The main influence on the Fund's portfolio turnover in any period is usually the stockmarket's appetite for small UK quoted companies. If prices and valuations are rising, the upsides to the Manager's target prices are likely to be narrowing. All else being equal, this would encourage the rotation of the Fund's capital from companies with lower upsides to those with higher upsides. The Manager's term this dynamic the "value roll" and it has played an important role in the Fund's capital and income returns over the years. It follows that periods of higher portfolio turnover are often associated with strong returns for the Fund.

Portfolio turnover is defined as the lower of purchases and sales divided by the average portfolio value. In 2024, turnover was 25%, which is below the long term average. Notwithstanding the Fund's positive return in the year, this suggests that there was less opportunity for "value roll" than usual. This is symptomatic of the deep under-valuation of small UK quoted companies – if the stockmarket does not reflect their true value, there is no incentive to reduce the position.

Environmental, social and governance (ESG)

In its analysis and assessment of companies, the Manager considers any issue that affects valuation. This includes matters that come under the umbrella term of ESG. If the Manager determines that a company's valuation can be enhanced by addressing such an issue, it engages with the board in question. In practice, the majority of such engagements remain concerned with governance. This reflects the Manager's firm belief that good governance is a pre-requisite for a good performance in environmental and social terms.

The ESG module in the Manager's investment database is now firmly embedded. It is clear that investee companies are coping well with the ESG expectations of investors and the ESG requirements of regulators. For another year, disclosure has improved and there are demonstrable actions under way to meet net zero commitments. This effort is not costless and the burden on some businesses is considerable. However, once again, the resilience and flexibility of smaller companies is very much in evidence. This extends to the identification of commercial opportunities that can arise from the ESG issues. The products and services of several of the Fund's industrial holdings bring savings to customers in both monetary and carbon terms. By quantifying avoided emissions, these companies can emphasise their relevance both to the stockmarket and to the real economy.

Examples are provided in the Stewardship & ESG section of the Manager's website at www.aberforth.co.uk. Further details of the Manager's approach to ESG are set out on page 12 of this annual report.

Valuations

Last year's Manager's Report described an unusual triple valuation discount from which the Fund benefited. This is summarised in the following table.

Price earnings (PE) ratio:	34 year average	At 31 December 2023	At 31 December 2024
World equities*	15.9x	16.0x	17.7x
FTSE All-Share	15.3x	10.3x	14.6x
Smaller companies**	13.6x	10.3x	11.9x
The Fund's portfolio	12.0x	7.9x	9.6x

* Source: Bloomberg; Panmure Liberum

** DNSCI (XIC) to 2013 then Tracked Universe

Twelve months on, the triple discount remains in place: (1) UK equities have a lower PE than global equities, (2) small UK quoted companies have a lower PE than the UK market as a whole, and (3) the Fund's portfolio has a lower PE than smaller companies. The table also demonstrates the valuation opportunity in another way. At present, UK equities, smaller companies and the portfolio are each rated on a lower PE than the average since 1990. Therefore, the Fund benefits from attractive valuations in comparison both with its own history and with broader equity indices.

The table also reveals some change through 2024: the PEs of all four groups have risen. In the case of world equities, this was principally due to the further share price gains of the "Magnificent Seven" and their ilk. Less appreciated have been the partial re-ratings of the UK equity market, smaller companies and the Fund's portfolio. A broad re-rating of this sort is welcome but unsurprising given how unusually low PEs were towards the end of 2023. The uncertainty a year ago was when the improvement would come and what would prompt it. In the event, there have been three influences: the improved economic backdrop, a degree of political stability (at least in relative terms), and the continued buying pressure in the form of M&A.

Manager's Report

It is worth dwelling on the components of the re-rating. Focusing on smaller companies, the historical PE rose from 10.3x at the end of 2023 to 11.9x at the end of 2024. That is a 16% rise over a period in which the return from the DNSCI (XIC) was 9.5%. From these two numbers it may be inferred that small company profits fell in aggregate, by around 6%. This decline in reported profitability is not news – last year's Manager's Report described the likelihood of such an outturn given the impact of the recession in the second half of 2023. While lower profits are unwelcome, it is clear that they were not inconsistent with positive equity returns as the stockmarket discounted a probable recovery in profits.

There are parallels here with the early 1990s recession, which was caused by inflation and the tighter monetary policy required to address it. The table below gives the macro economic context for the early 1990s downturn, along with how small UK quoted companies performed in the period.

	1990	1991	1992	1993	Cumulative 1991-3
UK economic context					
GDP YoY	+0.6%	-1.4%	+0.2%	+2.3%	+1.1%
CPI YoY	+7.0%	+8.5%	+4.2%	+2.5%	+15.9%
Year end base rates	13.9%	10.4%	6.9%	5.4%	–
DNSCI (XIC) experience*					
Year end PE ratio	8.2x	11.3x	13.9x	18.6x	–
Implied earnings growth	+1.8%	-13.7%	-13.1%	+6.2%	-20.3%
Total return	-23.5%	+18.3%	+6.4%	+41.6%	+78.2%

*Taken or calculated from London Business School data

The table shows the positive total returns generated by smaller companies in 1991 and 1992 even as the recession hit and profits declined. These returns drove the PE ratio up to 13.9x by the end of 1992. This was, though, only a partial re-rating since the actual recovery in earnings, which started in 1993, prompted a very strong performance from the asset class. Notwithstanding the similarities with today's situation, it would be wrong to anticipate that the market plays out in precisely this way. However, it is clear that the higher PEs seen in 2024 are not in and of themselves a barrier to further gains.

The following table turns to forward valuations. It uses the Manager's favoured valuation metric, EV/EBITA (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 profits underlying the ratios are based on the Manager's forecasts for each company that it tracks. The bullet points following the table summarise its main messages.

EV/EBITA	2024	2025	2026
The Fund	7.9x	7.0x	6.1x
Tracked universe (234 stocks)	10.0x	9.0x	7.8x
- 38 growth stocks	15.9x	14.7x	12.7x
- 196 other stocks	9.3x	8.3x	7.2x
- 102 stocks > £600m market cap	10.5x	9.5x	8.3x
- 132 stocks < £600m market cap	8.8x	7.6x	6.6x

- The ratios are lower in 2025 than in 2024. This reflects the Manager's anticipation of profit growth in 2025, as lower interest rates and real wage growth drive a recovery in the profitability of domestic facing companies.
- The average EV/EBITA multiples of the portfolio are lower than those of the Tracked Universe. This has been a consistent feature over the Fund's history and is consistent with the Manager's value investment style.
- The portfolio's 7.9x EV/EBITA ratio for 2024 is considerably lower than the average multiple of 13.6x at which takeover offers were made in 2024.
- Each year, the Manager identifies a cohort of growth stocks within the DNSCI (XIC). These stocks are on much higher multiples than both the portfolio and the rest of the Tracked Universe.
- Picking up on the size commentary above, the "smaller small" companies within the DNSCI (XIC) remain more attractively valued than do the "larger smalls", despite the former grouping's better share price performance in the year.

Manager's Report

Outlook and conclusion

The investment outlook for 2025 is clouded by geopolitics. The war in Ukraine continues, while the situation in the Middle East has recently become more complicated with the overthrow of the Assad regime in Syria. Meanwhile, there are unstable governments or imminent elections in France, Germany, Japan, South Korea and Canada. Despite the conclusive Republican victory in the US, uncertainty lingers. Donald Trump's statements about tariffs and reindustrialisation seem part of a world view that tends to isolationism, though it is unclear how much of this is his well-practised tactics to achieve a deal. To complicate matters, his fiscal actions will affect monetary policy. This in turn will influence the US economy, whose resilience has been welcome as other countries struggle, and the valuation basis of equities and bonds around the world.

Political risk remains elevated too in the UK, despite – or perhaps because of – Labour's decisive election victory. The Budget was uninspiring and impinges upon private sector growth, whatever the government's rhetoric about employers' national insurance contributions. Businesses and consumers can be forgiven for worrying about what might come next should economic growth not pick up as the Chancellor predicts. Some of that scepticism seems shared by bond investors, with gilt yields having risen sharply since the Budget.

However, it is important to put today's big picture concerns and risks in perspective. Macro economic and geopolitical issues are a fact of life. They have beset equity investors over the Fund's lifetime and indeed throughout the history of financial markets. Indeed, an element of the superior return achieved by equities over the long term is the reward for taking on those very risks. In its investment discussions, the Manager aims to take into account top down influences but try not to be distracted by them.

What is more certain is the resilience and valuations of the companies in which the Fund invests. It is worth returning to the way in which small UK quoted companies have dealt so well with recent challenges such as Brexit, the pandemic and supply chain disruption. Even in 2024, when companies reported results affected by recession, many grew their dividends and many were able to enhance shareholder returns with buy-backs. In this, they have been helped by their strong balance sheets and experienced boards of directors. Given their demonstrable flexibility, resilience and adaptability, it is reasonable to expect them to cope well with further change.

It is clear, however, that the stockmarket continues to overlook the resilience and progress of small UK quoted companies. Valuations recovered in 2024 but remain low in comparison with history and with other equity markets. While the US market is priced for perfection, small UK quoted companies are priced for irrelevance. But this tunnel vision on the part of equity markets is part of the present opportunity for investors in the Fund's asset class. What makes the valuation discrepancies particularly thought-provoking is that there are rational investors – other companies and private equity – who are prepared to pay substantial premiums over stockmarket prices to own small UK quoted companies.

This takeover activity helped to shine a light on the Fund's investment opportunity in 2024 by raising general awareness of the attractiveness of valuations. Encouragingly, the Manager's valuation framework suggests further upside from the re-rating of the asset class. While it is not guaranteed that this will come in a prompt and smooth manner, investee companies are likely to continue to make underlying progress and build value for their shareholders. The Fund is positioned to benefit from this with its diversified portfolio of resilient businesses, which has been constructed through the Manager's consistent investment process and value investment philosophy.

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

31 January 2025

Stewardship and Environmental, Social and Governance (ESG)

Philosophy, policies and practices

Aberforth's approach to Stewardship and ESG is available at www.aberforth.co.uk in the "About Aberforth" section. The ESG policy framework is set out in the following documents.

- *About Aberforth:* the background and founding principles of the firm, its core strategic philosophy and nature of the business.
- *Investment Philosophy:* Aberforth's approach to investing as adopted for the Fund, relevant extracts of which are included in the narrative that follows.
- *Stewardship Policy:* the approach to stewardship of clients' capital, set out in the format of the Financial Reporting Council's (FRC) UK Stewardship Code.
- *ESG Integration Framework:* how Aberforth's integrated ESG framework operates in practice.
- *Engagement and Voting Framework:* how Aberforth engages and votes, along with what is expected from investee companies.
- *Examples of Engagement and Voting:* examples of how the Engagement and Voting framework is put into action.
- *Governance and Corporate Responsibility:* Aberforth Partners LLP's approach to Stewardship, which is reported annually.

The Manager's approach to Stewardship and ESG is overseen by a Stewardship Committee, which is a sub-committee of the Aberforth Partners LLP partnership committee, Aberforth's ultimate governance body.

The investment cases for many of the Fund's holdings are influenced by ESG matters, particularly as the increased profile of such issues affects the stockmarket's valuations of companies. Investments are not excluded from the portfolio based on ESG considerations alone. Rather, analysis of ESG matters is integrated into the investment process and is considered alongside other factors in forming an investment case.

Where ESG or other matters impinge upon the investment case, the Manager engages with the investee company's board, which is responsible for the design and implementation of the company's environmental, social and governance policies. They are well placed to undertake this activity, since engagement has always been a fully integrated element of their investment process and feeds through to the target valuations for companies. The Manager believes that their willingness to engage in a purposeful, discreet and constructive way with the boards of investee companies has benefited investment performance over time and is therefore important to the long term success of the Fund.

To support the investment process, Aberforth continues to enhance its proprietary investment database with a module recording the analysis and tracking of important ESG issues. The module captures relevant metrics, such as greenhouse gas emissions, Task Force for Climate-related Financial Disclosures (TCFD) and the setting of net zero and science-based targets.

Voting Policy and Activity

Aberforth exercise voting rights on behalf of the Fund. The Manager considers and votes on every resolution that is put to shareholders of the companies in which the Fund is invested. In 2024 this included voting in more than 85 Shareholder meetings on more than 1,375 resolutions. The Manager votes against resolutions that they believe may damage shareholders' rights or economic interests, which specifically includes consideration of environmental and social matters.

Voting is often the conclusion of engagement, which is undertaken directly and over time with the boards of investee company. Under normal circumstances, concerns would have been raised and discussed with an investee company's directors before the vote. Such engagement improves understanding of issues underlying controversial resolutions and can result in change that allows the Manager to vote in favour of the relevant resolutions. Among small UK quoted companies, there are still few general meeting resolutions directly relevant to environmental and social issues, so much of the voting is focused on governance.

UK Stewardship Code

The UK Stewardship Code, issued by the FRC, sets out the principles of effective stewardship by institutional investors. Aberforth are committed to effective stewardship and were early adopters of the UK Stewardship Code. They were again recognised as an approved signatory of the code in July 2024. The submission is published on the Aberforth website, along with supporting documentation.

UN Principles For Responsible Investment ('UNPRI')

Aberforth are a signatory to, and participate in, the annual UNPRI assessment. The results are available within the "About Aberforth" section of the website.

Aberforth Partners LLP's governance and corporate responsibility

The Investment Adviser's approach for their own business to stewardship and ESG matters is set out in their Governance & Corporate Responsibility statement. This includes policies and practices covering their approach to governance, risk and control, company cultural, human resources and environmental matters. The document also sets out Aberforth's approach to emissions disclosures. It reports on scope 1, 2 & 3 emission disclosures for the firm. These voluntary disclosures are reported under the Streamlined Energy & Carbon Reporting Statement ('SECR').

Assessment of Value delivered to Unitholders of the Aberforth UK Small Companies Fund for the period ended 31 December 2024

The Aberforth Unit Trust Manager's Assessment of Value is an annual process which is aligned with the Aberforth UK Small Companies Fund's 31 December period end. The publication date of this disclosure document is aligned with the Fund's annual report and accounts.

We, the Board of Aberforth Unit Trust Managers, remain committed to serving the interests of our investors. We continue to monitor the extent to which Aberforth Unit Trust Managers delivers value to Unitholders of the Fund. The Board comprises suitably qualified members of senior management, as well as independent non-executive directors who provide effective challenge and oversight of the affairs of Aberforth Unit Trust Managers ("the Manager") and the Fund, including the value assessment process.

The Manager outsources the provision of investment management services to the Investment Adviser, Aberforth Partners LLP ("Aberforth"). Aberforth is an investment management firm that provides investors with a high level of resource focused exclusively on small UK quoted companies. The investment management business conducted by Aberforth was established in 1990 and remains wholly owned by full time working partners. The firm's objective is to deliver superior long term investment returns for its clients and, by extension, for the ultimate beneficiaries of its clients' portfolios. Three central aspects of the firm – partnership, a focus on small UK quoted companies and a value investment philosophy – support the pursuit of this purpose. Encouraged by historical evidence, the firm believes that this philosophy plays a central role in the achievement of superior long-term returns. The management of a client portfolio is not assigned to one individual but is undertaken by the team, whose efforts are concentrated on stock selection and the moulding of stocks into a portfolio. The process underlying these activities has been consistently applied over the life of the firm.

Over the past year, there were no significant changes in the investment management services or administration services provided by the Manager and its third party service providers.

In accordance with the requirements of COLL 6.6.20 R of the Collective Investment Schemes Sourcebook as issued by the Financial Conduct Authority, we have undertaken an exercise to assess whether the payments out of scheme property as set out in the Fund's Prospectus are justified in the context of the overall value delivered to Unitholders.

Conclusion

We concluded that, in our opinion:

- the Manager is delivering value to Unitholders; and
- charges borne by the Fund are justified in the context of the value delivered to Unitholders.

In reaching this conclusion, we considered the Fund's investment objective, policy and strategy and our assessment of each of the factors below.

We have considered information furnished to us throughout the year and otherwise provided to us, as well as information prepared specifically in connection with our formal annual review. We considered the following factors individually, but not in isolation, recognising that these are connected.

1. Quality of service

Unitholders benefit from a variety of services, which are provided by several suppliers. We reviewed the range and quality of these services, conducting our assessment in three parts.

Investment management services

Our review of investment management services, consistent with last year, included an assessment of the Investment Adviser's financial strength and stability; the depth, quality, and consistency of its investment management process; the experience, capability, and integrity of personnel managing the Fund's assets; and the ongoing evolution of the investment management team designed to maintain and strengthen these qualities. We took comfort from the collegiate approach to portfolio management and the strong alignment of interests between investment personnel and Unitholders, evidenced by the fact that the investment personnel involved in managing the Fund's assets are themselves investors in the core strategy underpinning the Fund's investment objective, policy and strategy. We noted the significant resources which continued to be devoted to servicing existing and prospective Unitholders this year by means of written communications and face-to-face meetings. We were mindful of the Investment Adviser's business philosophy under which its principals endeavour to profit with their clients rather than from them. We satisfied ourselves that the Investment Adviser's policies and processes continue to deliver best execution for the Fund and that transaction costs remain appropriate in this context. We noted the Investment Adviser's approach to environmental, social and governance (ESG) matters as detailed in the Annual Report to Unitholders. We acknowledged that regulatory changes have been implemented effectively when required. Finally, we considered the prompt and in-depth reporting provided by the Investment Adviser on matters relating to investment performance and portfolio management.

Assessment of Value delivered to Unitholders of the Aberforth UK Small Companies Fund for the period ended 31 December 2024

Administrative services provided by the Manager

Within this category, notable services include daily fund accounting/valuation and unit pricing, Unitholder reporting, and client money oversight: all of which the Manager outsources to the Investment Adviser. Unit dealing (including anti money laundering checks) and registration is outsourced to a Third Party Administrator and Registrar.

In assessing the quality of these services, we considered the design and effectiveness of the Investment Adviser's internal controls and the level of satisfaction of the Fund's Unitholders. Our conclusion on this matter also reflected the regular and comprehensive updates and summaries of the compliance monitoring programme run by the Investment Adviser's Risk & Compliance team, as well as reports from the Trustee and the Investment Adviser's Auditors. This monitoring programme covers the activities undertaken by third party service providers as well as the services provided by the Investment Adviser and evidenced a well-managed operation delivering good outcomes on behalf of the Fund and its Unitholders.

Administrative services provided by third parties

These comprise services provided by the Trustee & Depositary, the Custodian, the Transfer Agent, the Registrar, and the Fund's Auditors. Again, our judgement on the quality of these services reflected the regular and comprehensive updates and summaries of the compliance monitoring programme run by the Investment Adviser's Risk & Compliance team. This monitoring programme evidenced that the third parties' operations were well-managed and delivered satisfactory outcomes on behalf of the Fund and its unitholders.

Based on its review, the Board concluded that the quality of service provided to the Fund by the Manager and others is satisfactory.

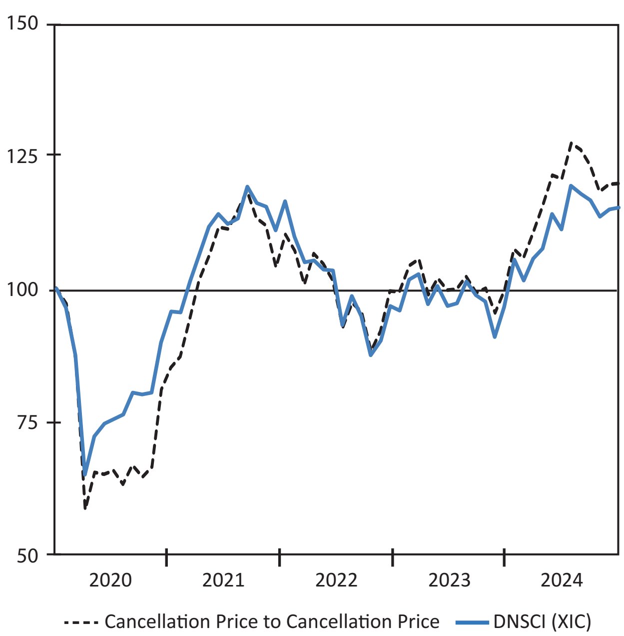
2. Performance

We reviewed the long-term performance of the Fund, in the context of its investment objective, policy and strategy. Performance is assessed formally on a quarterly basis through reports submitted by the Investment Adviser. These detailed reports address the various factors pertinent to performance, including top-down influences and the impact of individual holdings.

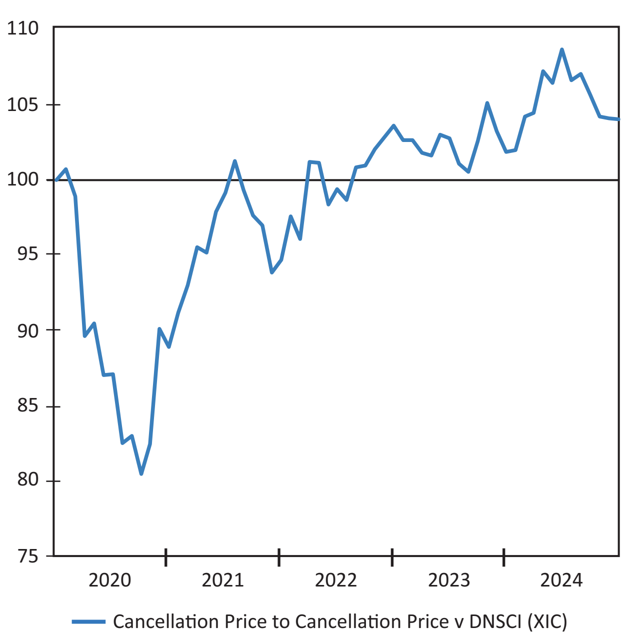
Consistent with the investment objective and with the recommended holding period, the Fund's performance was compared with that of the DNSCI (XIC), the Fund's relevant benchmark index, over the long term, with the focus on rolling five year periods. An important element of the Board's assessment was the investment strategy, as described in the Fund's Prospectus: since inception, the Fund's portfolio has been managed in accordance with the Investment Adviser's value investment philosophy. The Board reviewed evidence to satisfy itself that the Fund's assets continued to be managed in accordance with the value investment style. The Board noted that, while there is persuasive evidence that a value approach within small UK quoted companies may result in superior returns over the long term, there can be extended periods when the value style is out of favour and could result in periods of under-performance against the benchmark.

The Fund's 5-year investment record to 31 December 2024 is shown in the charts below:

Absolute Performance
(figures are total returns and have been rebased to 100 at 31 December 2019)



Relative Performance
(figures are total returns and have been rebased to 100 at 31 December 2019)



Assessment of Value delivered to Unitholders of the Aberforth UK Small Companies Fund for the period ended 31 December 2024

The Fund's historical returns and those of the benchmark index to 31 December 2024 are provided in the table below:

Historical Returns	Annualised Returns (%)		Cumulative Returns (%)	
Periods to 31 December 2024	**The Fund**	**Index**	**The Fund**	**Index**
12 months to 31 December 2024	11.8	9.5	11.8	9.5
5 years to 31 December 2024	3.8	2.9	20.3	15.6
10 years to 31 December 2024	6.2	6.0	83.0	79.8
From inception on 20 March 1991	11.2	9.1	3,489.7	1,829.4

Equities made gains in 2024, despite contending with elevated geopolitical and macroeconomic headwinds. Optimism returned to the domestic economy in the lead up to July's decisive general election, though Labour's first Budget will pose cost challenges for companies. Still, the UK appears less of an economic and political outlier compared with a year ago. In UK stockmarkets, small companies out-performed large, buoyed by high levels of M&A activity and the anticipation of interest rate reductions ahead.

Looking ahead, the Fund's historical price-to-earnings ratio rose modestly over the year. However, valuations remain historically low and fail to reflect the resilience of small companies, which have weathered macroeconomic storms in recent years. The Manager is optimistic about the potential for profit recovery in the coming years, which should shine a light on depressed valuations. In the meantime, elevated levels of M&A are expected to persist, reflecting acquirers' recognition of the strengths and relevance of small UK quoted companies.

In assessing investment performance and the influences on it, the Board recognised that Unitholders have a broad range of investment choices available and have chosen to invest (and remain invested) in the Fund, which differentiates itself from most other funds in the small UK quoted companies sector by its adherence to the value style. The factors affecting performance, including investment style, are regularly highlighted in the Manager's Report to Unitholders. The Board noted that the Unitholder register is dominated by institutional investors and that the Investment Adviser regularly offers face-to-face meetings with a high percentage of these firms. Feedback from these meetings with the professionals responsible for investing their clients' capital in the Fund is shared with the Board and acts as an important barometer of investor sentiment.

The Board is conscious that some of the most attractive opportunities in equity markets require a contrarian approach synonymous with the value style and so continues to look to the future with optimism. We are reassured that longer term performance offers reasonable value over the recommended holding period.

In this context and taking into account discussions on performance with the Investment Adviser throughout the year, the Board concluded that the Fund's long-term performance has been satisfactory.

3. Authorised Fund Manager costs - general

The Board reviewed the costs of providing the services in relation to the charges incurred by the Fund. Every component of the ongoing charges figure was reviewed.

The most material expense borne by the Fund is the Manager's periodic fee, representing 93% of total expenses in the year ended 31 December 2024. The Manager's periodic fee and the Ongoing Charges Figure for the year ended 31 December 2024 were 0.75% and 0.81% respectively.

As noted earlier, the Manager outsources most of its activities to the Investment Adviser and operates on a relatively low margin. The management fee incorporates other services supporting investment management, including administration, compliance, and risk. The Investment Adviser is an associate of the Manager and is constituted as a limited liability partnership. Each of its full time working partners is remunerated through a share in the business profits. We reviewed the Investment Adviser's profitability and are satisfied that, adjusted as appropriate, pro forma profitability is not excessive. The Manager reports a fee peer comparison on a quarterly basis to monitor the levels of management fee and ongoing charge.

The Investment Adviser believes that its clients are best served if it remains a focused boutique, investing in a single asset class, wholly devoted to a small number of institutional clients and delivering value to a wide range of underlying investors. The chosen asset class – small UK quoted companies – experiences periods in which it is in and out of favour, and the effect of this can be exacerbated by the value investment style described above. In addition, the Investment Adviser has a focused business strategy that it determines to be in the best interests of its clients but that limits the scope for business growth and diversification (this capacity constraint is discussed further below under "Economies of scale"). These factors increase the volatility of, and place limits on, the Investment Adviser's income stream, which is wholly variable and largely correlated to funds under management. When this is combined with a relatively fixed cost base, business viability is dependent on margins being sufficient.

Assessment of Value delivered to Unitholders of the Aberforth UK Small Companies Fund for the period ended 31 December 2024

Component costs of the ongoing charges figure were also considered against external benchmarks and peers. These costs, such as custody, registration and unit dealing offered reasonable value. External audit fees for the Fund were scrutinised against indicative market costs. The Board discussed the comparison with the Fund's auditors and agreed an increase in the annual audit fee for the year ending 31 December 2024.

In this context, we are satisfied that the Manager's periodic fee and the costs within the Ongoing Charges Figure are reasonable in the context of the services provided and the costs incurred.

4. Economies of scale

The Board assessed the extent to which savings and benefits from economies of scale could be achieved, relating to the costs of managing the Fund's property.

We noted that the Investment Adviser's business strategy is to focus on a single asset class – small UK quoted companies – that can be characterised by periods of relative lower liquidity. The Investment Adviser is not an asset gatherer and seeks to limit its capacity, in terms of funds under management, as it believes this to be in the best interests of its existing clients and investors.

We noted that the Investment Adviser is a sizeable investor in its investment universe and all its clients and investors benefit from this scale. We acknowledge that there is a limit to the level of cost economies available from such a differentiated capacity constrained business beyond those already achieved by it having operated for some time at or close to its self-imposed capacity with scale in the investment universe. The economies of scale shared to date have influenced a decrease over time in the ad valorem rate of management fees incurred by the Fund and by other clients managed by the Investment Adviser.

We concluded that the Investment Adviser's disciplined adherence to a ceiling on funds under management, whilst limiting the scope for further cost efficiencies, is in the best interests of the Fund's Unitholders.

5. Comparable Market Rates

The Board reviewed market rates for comparable services, in the context of services provided to the Fund.

We compared fees incurred for similar services by other small UK quoted companies funds and satisfied ourselves that the Manager's periodic fee remains in the lower quartile, thus fair and reasonable on that basis.

Whilst significantly less material, we also reviewed other expenses incurred by the Fund and concluded that Ongoing Charges incurred by the Fund compare favourably with market rates.

6. Comparable Services

The Board compared the Manager's periodic fee charged to the Fund with the level of fees charged to other clients of the Investment Adviser with comparable services and strategies; and satisfied itself that the Manager's periodic fee remains fair and reasonable.

7. Classes of units

The Board reviewed the charging structure applied to the Fund's classes of units.

We noted that the Fund has only income units and accumulation units. There is no institutional share class differential. An income unit entitles the holder to a cash distribution representing the net income attributable to that unit at each income allocation date. An accumulation unit does not entitle the holder to payment of the net income attributable to that unit, but that income is reinvested within the Fund and reflected in the accumulation unit price. This difference was created to cater for the income preferences of Unitholders, who are free to move between the classes.

We noted that there is no difference in charging structure applied between the two classes of units and accordingly the conclusions reached on value delivered would apply to both classes equally.

D M Cooper, *Director*
S G Ford, *Director*
J S Richards, *Director*
P R Shaw, *Director*
S L Wallace, *Director*
31 January 2025

Summary of Material Portfolio Changes

For the year ended 31 December 2024

Purchases	Cost £'000
Dowlais Group	2,887
MONY Group	2,443
Hilton Food Group	2,146
Halfords Group	1,827
XP Power	1,569
Ashmore Group	1,288
Jupiter Fund Management	1,219
Mobico Group	1,169
Rathbones Group	1,076
Morgan Advanced Materials	1,008
Senior	930
S4 Capital	924
Vesuvius	914
Crest Nicholson	869
Forterra	829
Close Brothers Group	803
Quilter	648
NCC Group	613
C&C Group	583
ZIGUP	537
Other Purchases[1]	12,488
Total Cost of Purchases*	**36,770**

Sales	Proceeds £'000
Wincanton	7,218
Centamin	4,876
XPS Pensions Group	2,568
Redrow	2,314
TI Fluid Systems	2,063
Just Group	1,538
CMC Markets	1,478
Bodycote	1,227
International Personal Finance	1,193
Avon Technologies	1,138
FirstGroup	1,039
Keller	1,005
Hostelworld Group	964
Spirent Communications	922
Zegona Communications	731
McBride	608
Galliford Try Holdings	551
Senior	452
Mitchells & Butlers	431
ZIGUP	344
Other Sales	6,673
Total Proceeds of Sales*	**39,333**

*Excludes transaction costs.

[1] Includes corporate actions

Portfolio Statement

As at 31 December 2024

Holding	Security	31 December 2024 Value £'000	31 December 2024 % of Total Net Assets	31 December 2024 % of Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of Index
Software and Computer Services		**5,225**	**3.6**	**5.3**	1.9	6.8
1,137,480	MONY Group	2,184	1.5			
2,022,246	NCC Group	3,041	2.1			
Technology Hardware and Equipment		**1,047**	**0.7**	**1.4**	1.2	1.0
1,006,510	TT Electronics	1,047	0.7			
Telecommunications Equipment		**–**	**–**	**0.7**	0.5	0.5
Telecommunications Service Providers		**3,211**	**2.2**	**0.6**	1.3	2.4
775,568	Zegona Communications	3,211	2.2			
Health Care Providers		**–**	**–**	**0.6**	–	0.7
Medical Equipment and Services		**–**	**–**	**0.1**	–	0.1
Pharmaceuticals and Biotechnology		**–**	**–**	**2.8**	–	2.7
Banks		**1,099**	**0.8**	**1.8**	1.7	3.2
465,214	Close Brothers Group	1,099	0.8			
Finance and Credit Services		**2,477**	**1.7**	**2.7**	2.2	1.9
1,905,610	International Personal Finance	2,477	1.7			
Investment Banking and Brokerage Services		**14,170**	**9.8**	**10.0**	7.1	12.1
696,600	Ashmore Group	1,111	0.8			
298,657	City of London Investment Group	1,162	0.8			
1,199,765	CMC Markets	2,975	2.0			
3,144,896	Jupiter Fund Management	2,727	1.9			
2,175,000	Quilter	3,345	2.3			
171,657	Rathbones Group	2,850	2.0			
Life Insurance		**4,877**	**3.4**	**1.4**	2.5	0.9
1,017,117	Hansard Global	499	0.4			
2,702,734	Just Group	4,378	3.0			
Non-life Insurance		**4,552**	**3.1**	**1.8**	3.1	1.8
557,611	Conduit Holdings	2,610	1.8			
1,407,450	Sabre Insurance Group	1,942	1.3			
Real Estate Investment and Services		**2,411**	**1.7**	**4.1**	1.2	2.8
3,503,648	Foxtons	2,411	1.7			
Real Estate Investment Trusts		**4,120**	**2.8**	**6.6**	3.1	5.7
596,800	Empiric Student Property	498	0.3			
916,200	Helical	1,585	1.1			
414,851	Workspace Group	2,037	1.4			
Automobiles and Parts		**4,629**	**3.2**	**1.8**	2.2	1.6
4,010,136	Dowlais Group	2,703	1.9			
997,985	TI Fluid Systems	1,926	1.3			
Consumer Services		**1,211**	**0.8**	**0.1**	0.5	–
1,164,547	RM	1,211	0.8			
Household Goods and Home Construction		**4,557**	**3.1**	**1.8**	5.0	0.8
1,245,136	Crest Nicholson	2,103	1.4			
971,692	Headlam Group	1,380	1.0			
215,300	MJ Gleeson	1,074	0.7			
Leisure Goods		**1,389**	**1.0**	**0.6**	–	0.3
953,986	Videndum	1,389	1.0			

Portfolio Statement

As at 31 December 2024

Holding	Security	31 December 2024 Value £'000	31 December 2024 % of Total Net Assets	31 December 2024 % of Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of Index
Personal Goods		**–**	**–**	**1.3**	–	1.8
Media		**9,555**	**6.6**	**2.6**	5.7	2.5
1,729,750	Centaur Media	380	0.2			
4,693,229	National World	1,014	0.7			
2,761,962	Reach	2,301	1.6			
1,998,800	S4 Capital	656	0.5			
258,346	STV Group	563	0.4			
1,218,208	Wilmington Group	4,641	3.2			
Retailers		**6,320**	**4.4**	**4.5**	3.7	4.2
2,476,049	Card Factory	2,419	1.7			
1,098,416	DFS Furniture	1,538	1.1			
1,136,474	Halfords Group	1,489	1.0			
2,301,419	Topps Tiles	874	0.6			
Travel and Leisure		**11,265**	**7.8**	**6.6**	6.6	7.7
1,017,956	Hostelworld Group	1,354	0.9			
6,283,079	Marstons	2,765	1.9			
1,022,610	Mitchells & Butlers	2,505	1.7			
1,824,500	Mobico Group	1,447	1.0			
173,200	On The Beach Group	439	0.4			
3,210,996	Rank Group	2,755	1.9			
Beverages		**2,735**	**1.9**	**0.8**	1.8	0.8
1,873,204	C&C Group	2,735	1.9			
Food Producers		**5,578**	**3.8**	**3.2**	1.5	2.3
2,331,377	Bakkavor Group	3,392	2.3			
241,543	Hilton Food Group	2,186	1.5			
Personal Care, Drug and Grocery Stores		**485**	**0.3**	**0.8**	0.6	1.4
459,459	McBride	485	0.3			
Construction and Materials		**9,089**	**6.3**	**6.7**	5.7	6.2
1,335,898	Eurocell	2,284	1.6			
440,500	Forterra	714	0.5			
946,102	Galliford Try Holdings	3,652	2.5			
435,781	Ricardo	1,830	1.3			
1,184,325	Severfield	609	0.4			
Aerospace and Defense		**5,561**	**3.8**	**1.3**	3.7	1.4
182,493	Avon Technologies	2,679	1.8			
1,806,040	Senior	2,882	2.0			
Electronic and Electrical Equipment		**7,214**	**5.0**	**2.4**	4.1	2.7
556,692	Dialight	612	0.5			
1,462,929	Morgan Advanced Materials	3,979	2.7			
203,315	XP Power	2,623	1.8			
General Industrials		**866**	**0.6**	**1.5**	0.5	1.3
809,604	Macfarlane Group	866	0.6			
Industrial Engineering		**7,053**	**4.8**	**1.6**	7.9	2.1
236,820	Bodycote	1,497	1.0			
507,437	Castings	1,289	0.9			
890,519	Vesuvius	3,762	2.6			
710,600	XAAR	505	0.3			

Portfolio Statement

As at 31 December 2024

Holding	Security	31 December 2024 Value £'000	31 December 2024 % of Total Net Assets	31 December 2024 % of Index[1]	31 December 2023 % of Total Net Assets	31 December 2023 % of Index
Industrial Support Services		**11,565**	**8.0**	**8.2**	8.7	5.4
2,028,841	De La Rue	2,069	1.4			
468,473	PageGroup	1,610	1.1			
143,315	Paypoint	1,118	0.8			
686,999	Robert Walters	2,164	1.5			
7,975,043	SIG	1,314	0.9			
3,215,508	Smiths News	2,148	1.5			
4,093,603	Speedy Hire	1,142	0.8			
Industrial Transportation		**6,893**	**4.7**	**2.6**	8.9	3.2
1,441,392	FirstGroup	2,316	1.6			
292,015	Fisher (James) & Sons	908	0.6			
110,254	VP	607	0.4			
952,444	ZIGUP	3,062	2.1			
Industrial Materials		**–**	**–**	**0.1**	–	0.1
Industrial Metals and Mining		**3,799**	**2.5**	**2.4**	3.3	2.4
1,854,293	Capital	1,502	1.0			
1,696,683	Ecora Resources	1,072	0.7			
393,907	Kenmare Resources	1,225	0.8			
Precious Metals and Mining		**165**	**0.1**	**0.8**	2.3	1.3
1,495,846	Gem Diamonds	165	0.1			
Chemicals		**–**	**–**	**2.5**	–	3.1
Oil, Gas and Coal		**2,562**	**1.8**	**3.3**	2.1	4.1
13,851,917	EnQuest	1,740	1.2			
3,411,761	Pharos Energy	822	0.6			
Alternative Energy		**–**	**–**	**0.2**	–	0.3
Electricity		**–**	**–**	**0.9**	–	–
Gas, Water and Multi-utilites		**–**	**–**	**1.1**	–	–
Waste and Disposal Services		**–**	**–**	**0.4**	–	0.4
Investments as shown in the Balance Sheet		**145,680**	**100.3**	**100.0**	100.6	100.0
Net Current Liabilities		**(441)**	**(0.3)**	**–**	(0.6)	–
Total Net Assets		**145,239**	**100.0**	**100.0**	100.0	100.0

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

[1] Reflects the rebalanced index as at 1 January 2025.

Comparative Tables

Income Unit	31 December 2024 £/unit	31 December 2023 £/unit	31 December 2022 £/unit
Change in net assets per unit			
Opening net asset value per unit	**197.23**	189.32	218.30
Return before operating charges*	**25.21**	17.07	(20.35)
Operating charges	**(1.74)**	(1.57)	(1.64)
Return after operating charges	**23.47**	15.50	(21.99)
Distributions on income units	**(7.17)**	(7.59)	(6.99)
Closing net asset value per unit	**213.53**	197.23	189.32
*after direct portfolio transaction costs of:	**(0.38)**	(0.35)	(0.45)

Income Unit			
Performance			
Total return after charges[1]	**11.8%**	8.2%	-10.1%
Other information			
Closing net asset value (£'000)	**48,928**	50,771	50,819
Closing number of units	**229,135.000**	257,415.727	268,428.553
Operating charges	**0.81%**	0.82%	0.83%
Direct portfolio transaction costs	**0.18%**	0.18%	0.23%
Prices			
Highest issue price (£)	**234.25**	206.95	226.39
Lowest cancellation price (£)	**189.86**	173.98	168.21

Accumulation Unit	31 December 2024 £/unit	31 December 2023 £/unit	31 December 2022 £/unit
Change in net assets per unit			
Opening net asset value per unit	**304.49**	281.25	312.54
Return before operating charges*	**38.75**	25.59	(28.92)
Operating charges	**(2.71)**	(2.35)	(2.37)
Return after operating charges	**36.04**	23.24	(31.29)
Distributions	**(11.16)**	(11.38)	(10.11)
Retained distributions on accumulation units	**11.16**	11.38	10.11
Closing net asset value per unit	**340.53**	304.49	281.25
* after direct portfolio transaction costs of:	**(0.59)**	(0.52)	(0.65)

Accumulation Unit			
Performance			
Total return after charges	**11.8%**	8.3%	-10.0%
Other information			
Closing net asset value (£'000)	**96,311**	85,349	91,086
Closing number of units	**282,828.351**	280,295.055	323,865.267
Operating charges	**0.81%**	0.82%	0.83%
Direct portfolio transaction costs	**0.18%**	0.18%	0.23%
Prices			
Highest issue price (£)	**367.46**	310.43	324.13
Lowest cancellation price (£)	**293.11**	263.45	245.61

[1] Does not assume reinvestment of the interim distribution.

STATEMENT OF THE MANAGER’S RESPONSIBILITIES IN RELATION TO THE REPORT AND ACCOUNTS OF ABERFORTH UK SMALL COMPANIES FUND ("THE SCHEME")

The Financial Conduct Authority’s Collective Investment Schemes Sourcebook, as amended, ("the Regulations") requires the Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial position of the scheme and of its net revenue and capital gains for the period. In preparing the accounts the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Association ("IA");
- follow United Kingdom accounting standards;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent;
- take reasonable steps for the prevention and detection of fraud and non-compliance with laws and regulations; and
- prepare the financial statements on a going concern basis unless it is considered inappropriate

The Manager is responsible for the management of the scheme in accordance with its trust deed, prospectus and the Regulations.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

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

31 January 2025

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF ABERFORTH UK SMALL COMPANIES FUND ("THE SCHEME") FOR THE PERIOD ENDED 31 DECEMBER 2024.

The Trustee must ensure that the Scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "theRegulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Scheme and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Scheme in accordance with the Regulations.

The Trustee must ensure that:

- the Scheme's cash flows are properly monitored and that cash of the Scheme is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Scheme is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Scheme's assets is remitted to the Scheme within the usual time limits;
- the Scheme's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Scheme is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Scheme.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Scheme, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Schemes income in accordance with the Regulations and the Scheme documents, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

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

31 January 2025

Independent Auditors' Report to the Unitholders of Aberforth UK Small Companies Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Aberforth UK Small Companies Fund (the "Fund"):

- give a true and fair view of the financial position of the Fund as at 31 December 2024 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2024; the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders and the Cash Flow Statement for the year then ended; the Distribution Table; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

Manager's Report

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities in Relation to the Report and Accounts of Aberforth UK Small Companies Fund ("The Scheme") the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Fund/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Fund. Audit procedures performed included:

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Fund's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
31 January 2025

a) The maintenance and integrity of the Authorised Fund Manager's website is its responsibility; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

For the year ended 31 December 2024

Statement of Total Return

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Income:					
Net capital gains	4		**11,107**		5,156
Revenue	5	**5,563**		6,047	
Expenses	6	**(1,209)**		(1,141)	
Interest payable and similar charges		**(52)**		(6)	
Net revenue before taxation		**4,302**		4,900	
Taxation	7	**–**		(9)	
Net revenue after taxation			**4,302**		4,891
Total return before distributions			**15,409**		10,047
Distributions	8		**(5,007)**		(5,554)
Change in net assets attributable to Unitholders from investment activities			**10,402**		4,493

Statement of Change in Net Assets Attributable to Unitholders

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Opening net assets		**136,120**		141,905
Amounts receivable on issue of units	**26,851**		15,105	
Amounts payable on cancellation of units	**(31,261)**		(28,717)	
		(4,410)		(13,612)
Change in net assets attributable to unitholders from investment activities		**10,402**		4,493
Retained distribution on accumulation units		**3,127**		3,330
Unclaimed distributions		**–**		4
Closing net assets attributable to unitholders		**145,239**		136,120

Financial Statements

As at 31 December 2024

Balance Sheet

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
ASSETS					
Fixed assets:					
Investments assets	16		**145,680**		136,874
Current assets:					
Debtors	9	**321**		269	
Cash and bank balances		**402**		144	
Total other assets			**723**		413
Total assets			**146,403**		137,287
LIABILITIES					
Creditors:					
Other creditors	10	**(338)**		(156)	
Distribution payable on income units		**(826)**		(1,011)	
Total liabilities			**(1,164)**		(1,167)
Net assets attributable to unitholders			**145,239**		136,120

Cash Flow Statement

For the year ended 31 December 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Net cash inflow from operating activities	11		**4,349**		4,853
Investing activities					
Purchases of investments	12	**(36,995)**		(31,948)	
Sales of investments	12	**39,296**		40,489	
Cash inflow from investing activities			**2,301**		8,541
Financing activities					
Amounts received from issue of units		**27,053**		15,213	
Amounts paid on cancellation of units		**(31,406)**		(29,029)	
Distributions paid		**(1,990)**		(1,855)	
Interest paid		**(49)**		(5)	
Cash outflow from financing activities			**(6,392)**		(15,676)
Increase/(Decrease) in cash and cash equivalents			**258**		(2,282)
Cash and cash equivalents at the start of the year			**144**		2,426
Cash and cash equivalents at the end of the year			**402**		144

Notes to the Financial Statements

1 Significant Accounting Policies

(a) (The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued in 2014 and amended in 2017 ("the SORP"), the Financial Reporting Standard 102 ("FRS102"), the Financial Conduct Authority's COLL and the Trust Deed. The financial statements have been prepared on a going concern basis.

(b) In accordance with the SORP, the investments of the Fund have been valued at a fair value which is represented by the bid price as at close of business on the balance sheet date. Suspended securities are initially valued at the suspension price but are subject to constant review by the Fair Value Pricing Committee.

(c) Dividends on equities are recognised when the security is quoted ex-dividend. Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge. Interest receivable is accounted for on an accruals basis and treated as revenue.

(d) The ordinary element of scrip dividends is treated as revenue and forms part of the distribution. Special dividends are treated as income or capital depending on the facts of each particular case.

(e) All expenses are recognised on an accruals basis and are charged to revenue with the exception of the Manager's periodic charge, of which 5/8ths is allocated to capital and the remaining 3/8ths charged to revenue, and a proportion of the safe custody fees taken to capital which relate to purchases and sales transactions.

(f) The charge for tax is based on the results for the year. The rate of corporate tax for the Fund is 20%, although certain revenue is exempt from tax. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax assets are recognised only to the extent that the Manager considers that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted.

2 Distribution Policies

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. 3/8ths of the Manager's periodic charge is deducted from revenue for the purpose of calculating the distribution, the balance being borne by capital. The Fund is not more than 60% invested in qualifying investments (as defined in Section 468L, Income and Corporation Taxes Act 1988) and will pay a dividend distribution.

3 Risk Management Policies

In pursuing its investment objective, certain risks arise for the Fund in relation to the investment portfolio and cash balances held. All assets and liabilities are denominated in sterling. Therefore no direct currency risk arises.

The main risks arising are market, liquidity and credit. The Manager has policies for managing each of these risks. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

The risk and reward profile of the Fund can be illustrated by reference to a standard Risk/Reward category scale, where 1 is lower potential risk/reward and 7 is higher potential risk/reward. The category is chosen based on the volatility of returns over the past 5 years. The current synthetic risk and reward indicator is 6 and was unchanged during the year. Further information can be found in the Key Investor Information Document available on the Manager's website.

Market Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager does not seek to hedge this exposure as it does not consider this to be beneficial to the Fund in the long term.

Liquidity Risk

The Fund's assets comprise mainly securities that are considered to be readily realisable in accordance with the market practices of the London Stock Exchange. Liquidity may, however, be affected by market events.

The risk of low market liquidity through reduced trading volumes may affect the Fund's ability to trade investments at values previously indicated by brokers.

The main liability of the Fund is the redemption of units that investors wish to sell. In general the cash levels of the Fund are managed to ensure liabilities can be met. Where investments cannot be realised to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. The Fund has an overdraft facility in place with the Custodian, Northern Trust, up to £25m. In addition, in certain circumstances and at the discretion of the Manager, redemptions may be settled by an in-specie transfer of assets or deferred redemption in accordance with the Prospectus terms.

Notes to the Financial Statements

Credit Risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The investment transactions of the Fund are generally undertaken on a delivery versus payment basis. In addition, the Manager only buys and sells investments through brokers who are authorised and regulated by the Financial Conduct Authority, who have formally agreed terms of business with the Manager, and who are considered to have execution arrangements that enable the Manager to comply with its obligation to obtain the best possible result for the Fund. The Manager closely monitors market developments that may impact a broker's creditworthiness, market reputation and expectations of future financial performance. A range of brokers is utilised by the Manager.

Cash balances are placed with a selection of banking institutions. The Manager reviews the banking partners and the deposit levels on a periodic basis. The Manager aims to have the Fund fully invested.

Interest Rate Risk

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

4 Net Capital Gains

	2024 £'000	2023 £'000
The net capital gains on investments during the year comprise:		
Equity investments	**11,107**	5,156

5 Revenue

	2024 £'000	2023 £'000
UK dividends	**4,763**	5,150
Overseas dividends	**608**	736
Property income distributions	**165**	122
Bank interest	**27**	39
Total income	**5,563**	6,047

6 Expenses

	2024 £'000	2023 £'000
Payable to the Manager or associate of the Manager:		
Manager's periodic fee	**1,119**	1,052
Payable to the Trustee or associate of the Trustee:		
Trustee's fees	**41**	40
Other expenses:		
Audit fee	**24**	23
Safe custody fees	**12**	11
Printing fees	**9**	9
Registration fees	**3**	3
Taxation services	**1**	3
	49	49
Total expenses	**1,209**	1,141

The Manager's periodic fee is 0.75% per annum of the valuation of the Fund's property which accrues and is paid monthly in arrears. Included within this fee is £699,000 borne by the capital of the Fund (2023: £658,000). Further details of the management fees, Trustee's fees and other expenses of the Fund are available in the Fund's Prospectus.

Notes to the Financial Statements

7 Taxation

	2024 £'000	2023 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	–	9
Total current tax charge for the year (note 7(b))	–	9
(b) Factors affecting current tax charge for the year:		
Net revenue before taxation	**4,302**	4,900
Corporation tax at 20% (2023: 20%)	**860**	980
Effects of:		
Non-taxable UK dividends	**(952)**	(1,030)
Non-taxable overseas dividends	**(122)**	(147)
Unutilised management expenses	**214**	197
Irrecoverable overseas tax	–	9
	(860)	(971)
Current tax charge (Note 7(a))	–	9

At the balance sheet date, the Fund had excess management expenses of £53,560,000 (2023: £52,490,000). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore, no deferred tax asset has been recognised. The deferred tax amount, being 20% of the excess management expenses, equates to £10,712,000 (2023: £10,498,000).

8 Distributions

	2024 £'000	2023 £'000
The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:		
Interim	**2,507**	2,612
Final	**2,425**	2,679
	4,932	5,291
Add: Income deducted on cancellation of units	**315**	339
Less: Income received on creation of units	**(240)**	(76)
Total distributions	**5,007**	5,554

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

	2024 £'000	2023 £'000
Net revenue after taxation	**4,302**	4,891
Add: Manager's periodic fee taken to capital	**699**	658
Add: Safe custody fee taken to capital	**6**	5
Distributions	**5,007**	5,554

Details of the distribution per unit are shown on page 34.

Notes to the Financial Statements

9 Debtors

	2024 £'000	2023 £'000
Accrued income	**276**	263
Amounts receivable for creation of units	**40**	2
Other debtors	**5**	4
Total debtors	**321**	269

10 Other Creditors

	2024 £'000	2023 £'000
Amounts payable for cancellation of units	**206**	36
Accrued management fee	**93**	82
Other accrued expenses	**39**	38
Total creditors	**338**	156

11 Reconciliation of net revenue before taxation to net cash flow from operating activities

	2024 £'000	2023 £'000
Net revenue before taxation	**4,302**	4,900
Adjusted for:		
Interest payable and similar charges	**49**	5
Debtors:		
Increase in accrued income	**(13)**	(38)
Increase in other debtors	**(1)**	(4)
Creditors:		
Increase/(Decrease) in accrued management fee	**11**	(10)
Increase in accrued other expenses	**1**	5
Taxation	**–**	(9)
Unclaimed distributions	**–**	4
Net cash flow from operating activities	**4,349**	4,853

Notes to the Financial Statements

12 Portfolio Transaction Costs

	2024 £'000	2024 % of purchases	2024 % Average Net Asset Value	2023 £'000	2023 % of purchases	2023 % Average Net Asset Value
Equity purchases in period before transaction costs	**29,552**			30,562		
Commissions	**50**	**0.14**	**0.03**	58	0.18	0.04
Taxes	**175**	**0.48**	**0.12**	138	0.43	0.10
Total equity purchases costs	**225**	**0.62**	**0.15**	196	0.61	0.14
Corporate actions during the period	**7,218**			1,190		
Total purchase consideration after direct transaction costs	**36,995**			31,948		

	2024 £'000	2024 % of sales	2024 % Average Net Asset Value	2023 £'000	2023 % of sales	2023 % Average Net Asset Value
Equity sales in period before transaction costs	**39,333**			40,547		
Commissions	**(37)**	**(0.09)**	**(0.03)**	(57)	(0.14)	(0.04)
Taxes	**–**	**–**	**–**	(1)	–	–
Total equity sales costs	**(37)**	**(0.09)**	**(0.03)**	(58)	(0.14)	(0.04)
Corporate actions during the period	**–**			–		
Total sales after transaction costs	**39,296**			40,489		

The Fund incurs commissions and taxes on buying and selling investment securities in pursuance of the investment objective. Over the last three financial years, commissions have averaged 0.09% per annum (2023: 0.15% per annum) of the Fund's average net asset value and taxes have averaged 0.10% per annum (2023: 0.19% per annum) over the same period.

Share dealing generally incurs broker commissions and stamp duty and these are paid by the Fund on each transaction where appropriate. In addition there is a dealing spread between the buying and selling prices of the underlying investments. As at 31 December 2024, the average dealing spread for the underlying Fund investments is 0.84% (2023: 1.13%).

Comparing portfolio transaction costs for a range of funds may give a misleading impression of the relative costs of investing in those funds for the following reasons:

- Historical transaction costs are not an effective indicator of the future impact on performance.
- Transactions costs for buying and selling investments due to other investors joining or leaving the fund are recovered from those investors.
- Transaction costs vary depending on the types of investment in which a fund invests.

Notes to the Financial Statements

13 Units in issue

The Fund has income and accumulation units. The net asset value per unit, the number of units and the accumulation/distribution per unit are shown on pages 21 and 34. All units, adjusted for the current accumulation factor, have the same rights on winding-up.

Number of units	Opening 1 Jan 2024	Issued	Redeemed	Converted	Closing 31 Dec 2024
Accumulation	280,295.055	49,985.530	(47,404.234)	(48.000)	282,828.351
Income	257,415.727	58,711.702	(87,066.532)	74.103	229,135.000

14 Related Party Transactions

Management fees paid to Aberforth Unit Trust Managers Limited are shown in note 6 and details of units created and cancelled are shown in the Statement of Change in Net Assets Attributable to Unitholders. The balance due to Aberforth Unit Trust Managers Limited at the year end in respect of these transactions was £260,000 (31 December 2023: £116,000). Trustee fees paid are shown in note 6. The balance due to NatWest Trustee & Depositary Services Limited at the year end in respect of these fees was £3,500 (31 December 2023: £3,100).

15 Contingencies and financial commitments

The Fund had no financial commitments, contingent assets or liabilities as at 31 December 2024 (2023: nil).

16 Fair value disclosure

Fair value hierarchy is intended to prioritise the inputs used to measure the fair value of assets and liabilities as prescribed by FRS102. The hierarchy is split into the following 3 levels:

Level 1 - Using unadjusted quoted price in an active market for an identical instrument;

Level 2 - Using inputs, other than quoted prices included in level 1 that are directly or indirectly observable based on market data.

Level 3 - Using unobservable inputs due to market data being unavailable.

	2024		2023	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Level 1	**145,680**	**–**	136,874	–
Level 2	**–**	**–**	–	–
Level 3	**–**	**–**	–	–
Total	**145,680**	**–**	136,874	–

Market price risk

The Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective. It is not the Fund's policy to use derivatives or hedging instruments to manage market price risk.

At the year end date, 100% (2023: 100%) of the portfolio was invested in ordinary shares or stock units admitted to an official stock exchange. If the investment portfolio valuation fell by 10% at 31 December 2024, the impact on Unitholders' funds would have been negative £14.6m (2023: negative £13.7m). If the investment portfolio valuation rose by 10% at 31 December 2024, the impact on Unitholders' funds would have been positive £14.6m (2023: positive £13.7m). The calculations are based on the portfolio valuation as at the respective balance sheet dates and are not representative of the year as a whole. All other variables are assumed to remain constant.

As at 31 December 2024, all of the Fund's financial instruments were included in the balance sheet at fair value. The investment portfolio consisted of investments valued at bid prices which represent fair value.

Distributions

Distribution Table

For the six months to 31 December 2024

	Net Income Dec 2024	Equalisation† Dec 2024	Distribution/ Accumulation Dec 2024	Distribution/ Accumulation Dec 2023
Income units (payable 28 February 2025)				
Group 1: Units purchased prior to 1 July 2024	**360.3761p**	–	**360.3761p**	392.8468p
Group 2: Units purchased on or after 1 July 2024	**176.7563p**	**183.6198p**	**360.3761p**	392.8468p
Accumulation units				
Group 1: Units purchased prior to 1 July 2024	**565.3169p**	–	**565.3169p**	594.8588p
Group 2: Units purchased on or after 1 July 2024	**277.2751p**	**288.0418p**	**565.3169p**	594.8588p

For the six months to 30 June 2024

	Net Income Jun 2024	Equalisation† Jun 2024	Distribution/ Accumulation Jun 2024	Distribution/ Accumulation Jun 2023
Income units (paid on 31 August 2024)				
Group 1: Units purchased prior to 1 January 2024	**356.8716p**	–	**356.8716p**	365.7168p
Group 2: Units purchased on or after 1 January 2024	**136.0786p**	**220.7930p**	**356.8716p**	365.7168p
Accumulation units				
Group 1: Units purchases prior to 1 January 2024	**550.9452p**	–	**550.9452p**	543.2983p
Group 2: Units purchased on or after 1 January 2024	**210.0807p**	**340.8645p**	**550.9452p**	543.2983p

† When buyers purchase units, the purchase price includes the value of securities and revenue up to the date of purchase. All unitholders receive the same distribution, in pence per unit, however equalisation applies only to units purchased during the distribution period (Group 2 units). Equalisation is the average amount of income included in the purchase of all Group 2 units and is refunded to holders of these units as a return of capital.

Distribution Record

Year to	Accumulation Units Net income per Unit (p)	Income Units Net income per Unit (p)
31 December 2020	236.6363	169.9940
31 December 2021	645.9855	458.1303
31 December 2022	1,011.0584	699.4933
31 December 2023	1,138.1571	758.5636
31 December 2024	**1,116.2621**	**717.2477**

Management and Administration

Manager

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

Trustee & Depositary

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

Investment Adviser

Aberforth Partners LLP*
14 Melville Street
Edinburgh EH3 7NS

Registrar

Waystone Transfer Agency Solutions (UK) Limited*
PO Box 388
Unit 1, Roundhouse Road
Darlington DL1 9UE
Telephone: 0345 608 0940

Custodian

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

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

**Authorised and regulated by the Financial Conduct Authority*

Buying and Selling

The terms on which units can be bought and sold are set out in the Prospectus, Key Investor Information Document, Supplementary Information Document and Application Pack, all of which are available on the Manager's website www.aberforth.co.uk. These documents provide up to date terms on which Units are issued and redeemed, how and when money is held in a client money account and related risks.

Units may be bought and sold by telephone using the dealing number shown above. Alternatively, please contact Waystone, the Registrar, using the address above or by email (ordergroup@waystone.com). In addition, orders can be placed electronically via various transaction networks including EMX and Calastone. Valuation of the Fund normally takes place each business day at 4.30 pm (or such other time as the market closes) on a forward pricing basis.

Tax Compliance Requirements

Due to regulatory requirements to gather more information about investments being made by overseas investors, the Manager is required to submit a report to HMRC on an annual basis to provide details of all investments held and distributions received by overseas investors. Further information is available on the Manager's website.

Beware of Investor Fraud

Investment scams are designed to look like genuine investment opportunities. Unitholders may receive unsolicited phone calls or correspondence concerning investment matters which imply a connection to the Fund. These are typically from overseas based 'brokers' who target UK investors offering to sell them what often turn out to be worthless or high risk investments. Unitholders may also be advised that there is an imminent offer for the Fund, and the caller may offer to buy units at significantly above the market price if an administration fee is paid. Unitholders should treat all such approaches with caution.

You can find more information about investment scams at the Financial Conduct Authority ("FCA") website www.fca.org.uk/consumers/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Notes