

## Monthly Fact Sheet 30 September 2018

<b>Launch Date</b>	4th December 2006
<b>Fund Size</b>	£691m
<b>Historic Yield (%)*</b>	4.67

### Share Price (as at 30.09.18)

Shares	Income	Accumulation
B Shares	129.83p	246.80p

### Investment Objective and Policy

The objective of the Fund is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities. The Fund will invest in UK companies which aim to provide a high initial dividend, progressive dividend payments and long term capital appreciation.

### Fund Managers



#### David Horner

Joined 3i Corporate Finance Limited in 1986 where he was a manager giving corporate finance advice. In May 1993 he joined Strand Partners Limited, and was appointed a director in January 1994, where he

carried out a range of corporate finance assignments identifying, structuring and managing investments in quoted and unquoted companies. In October 1997 he left to set up Chelverton Asset Management Limited and was responsible for setting up, in May 1999, the Small Companies Dividend Trust, which he still manages. He has co-managed the Chelverton UK Equity Income Fund since launch.



#### David Taylor

began his career as an analyst in the research department at Wedd Durlacher and moved into fund management in 1987 with the Merchant Navy Officers Pension Fund. He joined Gartmore Investment Limited in 1991, during this

time, he ran a combination of institutional funds and investment trusts, namely the Clydesdale Investment Trust and London & Strathclyde Trust. In 1995, he moved to LGT to manage small cap retail funds and latterly spent nearly seven years as head of UK smaller companies at HSBC Asset Management. He joined Chelverton Asset Management in January 2006 and has co-managed the Chelverton UK Equity Income Fund since launch.

\*The historic yield reflects distributions over the past 12 months as a percentage of the bid price of the B share class as at the date shown. It does not include any initial charge and investors may be subject to tax on their distributions.

# MI Chelverton UK Equity Income Fund

### Monthly Manager Commentary

Since the start of the year, the valuation gap between the UK-centric earners such as retailers, housebuilders, PubCos etc. and growth stocks with substantial overseas earnings continued to widen. In all fairness, the domestics have had their fair share of specific issues such as minimum wage and sterling weakness-driven cost increases, worries over help to buy, a Brexit driven flight of labour and our eternal favourite, the weather. There is an element of truth in all of these, but the reality is, we believe, that share prices had adjusted some time ago to reflect these and that the most vulnerable part of the market were the excessively highly rated growth stocks. All that was missing to start to close the valuation gap more generally was a catalyst and the prospect of tariff wars, a sustained rise in US interest rates and worries over the Italian banking system have provided it. In our fund we had already sold a number of our most highly rated holdings: RWS, Electrocomponents and Computacenter, for example, and have reduced Tatton, Games Workshop, Hilton Foods and Victrex. At the same time, we have been adding to more lowly rated and higher yielding existing holdings and have gently grown the underlying portfolio yield. With respect to pure domestic plays we have been operating a 'one in, one out' policy (on retailers, for example) for some time. We retain a relatively balanced portfolio with an inherent bias towards domestic earnings which has been in the low sixties percentage for some time now.

We think that domestic earners are at the lower end of their valuation range but are waiting for more political/Brexit stability to perform, although a rise in real wages may achieve the same thing, and we remain happy holders. In fact, we added to Rank, STV and Flowtech in the last month, the latter after an earnings downgrade, which are all UK centric businesses. Where we can find them, we also like stocks with overseas exposure on relatively low ratings such as Morgan Advanced Materials, Inchcape and Essentra and we have added to all three recently. Last month was a relatively poor one for the fund as large caps outperformed but investors' attention has swiftly shifted to more recent events. It is usually the case in the first phase of a sharp market correction that the mark-downs amongst our small and mid cap universe is indiscriminate and this is the reality of the past couple of days. We have been in this situation on numerous occasions before and will do what we always do and look to add value by taking advantage of 'oversold' situations. We view the last few days as an overdue correction of relative valuations. As ever our main fear remains a US inspired recession and we believe we are still some way from this even if global economic growth rates have been downgraded.

### Cumulative Performance

	1 m	3 m	YTD	1 yr	3 yrs	5 yrs	7 yrs
Fund (%)	-1.52	-2.30	0.41	4.91	36.51	65.84	189.37
Sector Rank	82/89	65/89	39/87	22/86	9/80	2/77	1/66
Quartile Ranking	4th	3rd	2nd	2nd	1st	1st	1st
IA UK Equity Income (%)	-0.38	-1.41	0.07	3.05	25.69	39.55	99.59

Source: Lipper, NAV to NAV, B Shares Acc, Total Return to 30.09.2018

### Discrete Annual Performance

	30.09.17 30.09.18	30.09.16 30.09.17	30.09.15 30.09.16	30.09.14 30.09.15	30.09.13 30.09.14
Fund (%)	4.91	24.04	4.91	12.75	7.74
IA UK Equity Income (%)	3.05	10.53	10.66	3.43	7.52

Source: Lipper, NAV to NAV, B Shares Acc, Total Return to 30.09.2018

### Dividend History

	Q1	Q2	Q3	Q4	Total
2015 B Income	0.72p	1.15p	1.15p	2.07p	5.09p
2016 B Income	0.75p	1.20p	1.20p	1.93p	5.08p
2017 B Income	0.78p	1.25p	1.25p	2.48p	5.76p
2018 B Income	0.79p	1.40p	1.40p		

History of dividends declared per share. Source: Chelverton Asset Management Limited

Monthly Fact Sheet  
**30 September 2018**

**ACD**  
Maitland Institutional Services Limited

**Investment Advisor**  
Chelverton Asset Management Ltd

**Administrator**  
Maitland Institutional Services Limited

**Income Paid** Quarterly

**XD Dates** 31 March, 30 June  
30 September, 31 December

**Valuation** 12 Noon, Daily

**SEDOL Codes**

	Income	Accumulation
B Shares	B1FD646	B1Y9J57

**Initial Charge (%)**

B Shares 5.0\*

**Annual Management Fee (%)**

B Shares 0.75

**Minimum Investment**

B Shares £1,000

**Ongoing Charge (%)**

B Shares 0.86

\* or any such lower amount agreed with the ACD

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**FURTHER INFORMATION**

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**springcapital**

## MI Chelverton UK Equity Income Fund

### Top 20 Holdings

Holding	Sector	% of Portfolio
1. Phoenix Group	Life Insurance	1.86
2. Wood Group	Oil & Gas	1.67
3. Tate & Lyle	Food Producers	1.62
4. Ultra Electronics	Aerospace & Defence	1.58
5. TT Electronics	Electronic & Electrical Equipment	1.57
6. Babcock International	Support Services	1.57
7. Diversified Gas & Oil	Oil & Gas	1.49
8. Galliford Try	Household Goods & Home Construction	1.47
9. DMGT	Media	1.42
10. Northgate	Support Services	1.39
11. Ashmore	Financial Services	1.36
12. Restaurant Group	Travel & Leisure	1.35
13. IMI	Industrial Engineering	1.35
14. Dairy Crest Group	Food Producers	1.33
15. Saga	General Retailers	1.33
16. Morgan Advanced Materials	Electronic & Electrical Equipment	1.32
17. Chesnara	Life Insurance	1.31
18. Bellway	Household Goods & Home Construction	1.31
19. BCA Marketplace	Support Services	1.31
20. Aggreko	Support Services	1.31

Source: Chelverton Asset Management Limited

### Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £1bn	31.03	25
£500m - £1bn	26.78	24
£250m - £500m	19.67	20
£100m - £250m	13.12	17
Below £100m	4.50	12
Cash and Income	4.90	-
Total	100.00	98

Source: Chelverton Asset Management Limited

Disclaimer: This fund invests in smaller companies and carries a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The fund can also invest in smaller companies listed on the Alternative Investment Market (AIM) which also carry the risks described above. This document is provided for information purposes only and should not be interpreted as investment advice. If you have any doubts as to the suitability of an investment, please consult your financial adviser. The information contained in this document has been obtained from sources that Chelverton Asset Management Limited ("CAM") considers to be reliable. However, CAM cannot guarantee the accuracy or completeness of the information provided, and therefore no investment decision should be based solely on this data. Past performance is not a guide to future performance. This document is issued by CAM, Authorised and regulated by the Financial Conduct Authority. This document does not represent a recommendation by CAM to purchase shares in this Fund. We recommend private investors seek the services of a Financial Adviser. Maitland Institutional Services Limited are the Authorised Corporate Director of this fund and prospectuses for the fund are obtainable directly from them. Please email Chelverton@maitlandgroup.co.uk or call +44 (0) 1245 459 962.