

Monthly Fact Sheet 31 December 2019

About the Fund

The objective of the Chelverton European Select Fund is to generate long term compounding outperformance of major Continental European indices and peers. The aim is to deliver capital growth to investors over the longer term and achieve this by buying companies with strong free cash flow characteristics that the managers believe are being undervalued by the market.

The fund is a Europe ex-UK equity fund managed within the Investment Association guidelines for its sector. It invests solely in the equity securities of companies listed in Europe, but outside of the UK, across the size spectrum down to a minimum market capitalisation of €50m.

Launch Date	6th March 2018
IA Sector	IA Europe ex UK

Share Price (as at 31.12.19)

	Income	Accumulation
B Shares	104.31p	109.87p

Codes (B Shares)

	Income	Accumulation
Sedol	BFNL2N1	BFNL2P3
ISIN	GB00BFNL2N15	GB00BFNL2P39

Fund Managers



Dale Robertson

joined Chelverton in 2017. He began his career as a chartered accountant at Arthur Anderson, moving to Edinburgh Fund Managers in 1995. He then managed European funds at SWIP before moving to Edinburgh

Partners where he managed the EP European Opportunities Fund from 2003 – 2016.



Gareth Rudd

joined Chelverton in 2017. He began his career in financial services in 1996 at Edinburgh Fund Managers. He then moved to ABN Amro where he was a long/short investor within Principal Strategies

until 2009. Before joining Chelverton, Gareth was a partner at Willis Welby, a boutique research house.

MI Chelverton European Select Fund

Monthly Manager Commentary

European markets enjoyed a positive final month of the year, finishing close to their highest levels over the year. Macroeconomic concerns receded somewhat, as it appeared that the US and China had reached an initial level of agreement on their ongoing trade negotiations.

The fund performed strongly over the month. Despite the positive performance enjoyed by European markets and the fund over the year, we continue to see the fund as attractively valued, with a material free cashflow yield premium to the market (5.8% vs 4.3%).

In terms of positive contributors, CPL Resources, the Irish-listed recruitment consultant, had a very strong share price performance over the month. This was partly driven by its UK exposure in the wake of the landslide Conservative victory. The valuation remains compelling to us, with over 20% of the market cap now in cash, and a free cashflow yield approaching 7%. Arcadis, the global engineering consultancy, also enjoyed a positive month, driven by closure on a legacy issue involving a Brazilian power plant project. Again, despite the strong performance, the valuation remains very attractive, with good growth prospects, and a free cashflow yield of almost 7%.

On the negative side, Saras, a leading European oil refining business was weak for a second month. Saras is expected to benefit from the introduction of IMO2020 this year, environmental legislation which promotes lower sulphur fuels, benefitting refiners such as Saras which focus on lower emission products. We have added to the position. Group SEB, a global manufacturer of cooking and food preparation products, was also weak, suffering from sentiment towards general industrial action which occurred in France during the month. We believe that the prospects for SEB, particularly in areas such as the Far East, are compelling, and have been adding to this relatively new holding.

Alongside the high relative free cashflow yield of the fund, our investments in aggregate have solid growth prospects, giving us confidence that while we are retaining our valuation discipline, we are not straying into investments which have significant structural challenges i.e. cheap for a reason or value traps. The fund's holdings, in aggregate, also have much lower financial risk than the market, as measured by net debt to EBITDA.

Sentiment in European equity markets has generally moved from glass half empty to glass half full as the year progressed. While valuations generally are higher, we are confident that there remain undervalued investment opportunities. We will continue to apply our valuation discipline, combined with an aversion to excessive financial risk, in order to identify undervalued cashflows.

Cumulative Performance

	YTD	1 m	3 m	6 m	1 yr	3 yrs	Since Launch
Fund (%)	30.14	3.37	6.26	9.23	30.14	-	9.87
Sector Rank	7/118	6/123	10/122	4/122	7/118	-	47/117
Quartile Ranking	1st	1st	1st	1st	1st	-	2nd
IA Europe ex UK (%)	20.38	1.53	2.54	3.08	20.38	-	7.68

Source: Morningstar, NAV to NAV, B Shares Acc, Total Return to 31.12.2019

Discrete Annual Performance

	31.12.18	31.12.17	31.12.16	31.12.15	31.12.14
Fund (%)	30.14	-	-	-	-
IA Europe ex UK (%)	20.38	-	-	-	-

Source: Morningstar, NAV to NAV, B Shares Acc, Total Return to 31.12.2019

Sector Breakdown

	% of Portfolio
Industrials	16.3
Financials	15.8
Consumer Goods	15.1
Technology	14.7
Healthcare	14.1
Oil & Gas	9.5
Consumer Services	6.6
Basic Materials	4.1
Cash	3.8

Geographic Breakdown

	% of Portfolio
Netherlands	18.3
France	16.2
Switzerland	13.7
Norway	9.9
Germany	8.0
Finland	7.3
Sweden	7.2
Ireland	4.7
Belgium	4.3
Spain	2.6
Denmark	2.0
Italy	2.0
Cash	3.8

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ACD
Maitland Institutional Services Limited

Investment Advisor
Chelverton Asset Management Limited

Administrator
Maitland Institutional Services Limited

Income Paid Biannually

XD Dates 30 June, 31 December

Valuation 12 Noon

Annual Management Fee (%)

B Shares 0.75

Minimum Investment

B Shares £1,000

Ongoing Charge (%)

B Shares 1.00

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FURTHER INFORMATION

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MI Chelverton *European Select Fund*

Top 20 Holdings

Holding	Sector	% of Portfolio
1. Kaufman & Broad	Consumer Goods	3.1
2. Arcadis	Industrials	3.1
3. Nordea	Financials	3.1
4. CPL Resources	Industrials	3.0
5. Subsea 7	Oil & Gas	2.9
6. Novartis	Healthcare	2.7
7. Infotel	Technology	2.7
8. Lastminute.com	Consumer Services	2.7
9. Bayer	Healthcare	2.6
10. SEB	Consumer Goods	2.6
11. Santander	Financials	2.6
12. Total	Oil & Gas	2.5
13. Fresenius	Healthcare	2.4
14. ING Groep	Financials	2.4
15. Swedish Match	Consumer Goods	2.3
16. UBS	Financials	2.3
17. Roche	Healthcare	2.3
18. Valmet	Industrials	2.3
19. Recticel	Basic Materials	2.3
20. Heidelberg	Industrials	2.2

Source: Chelverton Asset Management Limited

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above €5bn	50.1	23
€2bn - €5bn	14.6	7
Below €2bn	31.5	15
Cash and Income	3.8	N/A
Total	100.0	45

Source: Chelverton Asset Management Limited

Disclaimer: The value of any investment, and any income from it, can rise and fall with movements in stockmarkets, currencies and interest rates. These can move irrationally and can be affected unpredictably by diverse factors, including political and economic events. This could mean that you won't get back the amount you originally invested. This fund can invest 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. 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. The contents of this document are intended for Professional Investors and Eligible Counterparties only. 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.