

Monthly Fact Sheet

31 May 2020

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	6 March 2018
IA Sector	IA Europe ex UK

Share Price (as at 31.05.20)

	Income	Accumulation
B Shares	86.50p	91.24p

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 were strong again in May. It was very much a month of two halves. The first few weeks of the month were dominated by outperformance of the market leaders of recent years, namely quality and growth companies. The latter part of the month saw the beginnings of a rotation where cheaper companies started to perform best, especially more cyclical names, as Europe began to exit lockdown and markets began to look forward to economic recovery combined with the unprecedented levels of fiscal stimulus committed by Governments across Europe.

The fund enjoyed a strong performance, especially in the latter half of the month. There was little in the way of corporate newsflow, as the first quarter reporting season was largely completed in April.

Amongst our best performers were technology holdings such as Reply and Proact. The outperformance of more cyclical areas of the market also lifted our Financials holdings, with ING in particular performing strongly. SEB (kitchenware) and Adidas also performed strongly as both reported good recovery in their Chinese businesses post lockdown.

There were very few companies in the portfolio which did not participate in the rally, although some of our more defensive holdings in areas such as pharmaceuticals understandably lagged the market over the month.

The fund purchased Ahold Delhaize over the month. A top ten global food retailer, the total shareholder return comprised of buybacks and dividends should be between 6% and 8% annually. On a free cashflow yield of 8% for solid annual growth, the valuation combined with the expected shareholder returns is an attractive combination.

We sold our small holding in Bank of Ireland, preferring instead to consolidate our financial holdings into more robust businesses, topping up holdings in UBS and Svenska Handelsbanken.

Much of the debate at the moment is focussing on the shape of economic recovery – with V-shape currently being the most popular expectation. While we cannot predict the shape of recovery, it will indeed happen. This should lead to a change in leadership, with more expensive quality/growth companies likely lagging cheaper, more economically sensitive ones. Balance sheet strength, we feel, will still be an important factor for companies which may well face difficult trading periods, at least in the short term. With a net debt to EBITDA ratio of our holdings of 0.3x on average, versus the market currently on 2x, we are confident that even our more cyclical businesses will be able to weather the storm. Our strong valuation discipline, looking for an attractive balance of value and growth will also be a positive factor. The portfolio currently enjoys a 41% free cashflow premium to the market (6.2% vs 4.4% respectively), while being invested in strong companies capable of delivering growth.

Cumulative Performance

	YTD	1 m	3 m	6 m	1 yr	3 yrs	Since Launch
Fund (%)	-11.89	6.11	-3.24	-8.92	3.27	-	-3.19
Rank in sector	101/121	114/122	104/122	94/121	50/120	-/-	79/115
Quartile	4th	4th	4th	4th	2nd	-	3rd
IA Europe Ex UK (%)	-6.14	8.00	1.58	-4.71	2.93	-	1.06

Source: Morningstar, NAV to NAV, B Shares Acc, Total Return to 31.05.2020

Discrete Annual Performance (%)

	31.05.19	31.05.18	31.05.17	31.05.16	31.05.15
Fund (%)	3.27	-7.85	-	-	-
IA Europe Ex UK (%)	2.93	-3.26	-	-	-

Source: Morningstar, NAV to NAV, B Shares Acc, Total Return to 31.05.2020

Sector Breakdown

	% of Portfolio
Technology	26.4
Consumer Goods	17.2
Industrials	16.5
Health Care	12.8
Financials	9.1
Consumer Services	5.0
Basic Materials	3.5
Oil & Gas	3.1
Cash	6.4

Geographic Breakdown

	% of Portfolio
Netherlands	23.5
France	18.3
Switzerland	11.5
Germany	9.4
Sweden	7.6
Finland	6.6
Belgium	5.3
Italy	3.3
Norway	3.3
Ireland	2.9
Denmark	1.9
Cash	6.4

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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. Arcadis	Industrials	3.3
2. Novartis	Healthcare	3.2
3. Roche	Healthcare	3.1
4. ASM International	Technology	3.0
5. Signify	Industrials	3.0
6. CPL Resources	Industrials	2.9
7. Knowit	Technology	2.7
8. Sword	Technology	2.7
9. BE Semiconductor Industries	Technology	2.7
10. Danone	Consumer Goods	2.6
11. Bayer	Healthcare	2.5
12. Adidas	Consumer Goods	2.4
13. Unilever	Consumer Goods	2.4
14. SEB	Consumer Goods	2.4
15. Siili	Technology	2.4
16. Total	Oil & Gas	2.3
17. Recticel Common	Basic Materials	2.3
18. Moncler	Consumer Goods	2.2
19. UBS	Financials	2.2
20. Intofel	Technology	2.2

Source: Chelverton Asset Management Limited

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above €5bn	47.7	22
€2bn - €5bn	15.5	9
Below €2bn	30.4	16
Cash and Income	6.4	N/A
Total	100.0	47

Source: Chelverton Asset Management Limited

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