

Monthly Factsheet
31 March 2024

Inception	24 October 2014
Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$12 million
Number of Stocks	25
Share Class	A Class
Currency	EUR / CHF / USD / GBP
Management Fee	1.00%
ISIN Codes	EUR: IE00BQQFW266 USD: IE00BQQFW480 CHF: IE00BQQFW597 GBP: IE00BQQFW373

Fund Managers



Mark Purdy has a degree in Economics from Cambridge University and leads the Chelverton Global Consumer Franchise Fund's coverage of Beverages & Food. Mark began his career in fund management at Legal & General in 1985 and then worked at Gartmore (1988-1998), responsible for managing pension scheme equity portfolios. He then moved into investment banking with Dresdner Kleinwort (1998-2001), before joining Deutsche Bank in 2001, where he played a pivotal role in the creation and organisation of its annual Global Consumer Conference in Paris, the largest of its kind. Mark's analysis of consumer franchises started in 1987, and his favourite portfolio product at the moment is Lindt's 70% cocoa Dark Chocolate Bar.



Harold Thompson has a degree in Economics from University College London and leads Chelverton Global Consumer Franchise Fund's coverage on the Household and Personal Care sector, globally. Harold began his career as a retail and luxury goods research analyst at Deutsche Bank in 2001, before focusing on the Household and Personal Care industry from 2004. As Harold's expertise developed in his field of research, he picked up numerous awards for providing valuable insights and was regularly called upon to present to the board and executive teams of his coverage companies. Harold's analysis of consumer franchises started in 2001, and his favourite portfolio product at the moment (a functional one) is Reckitt Benckiser's Finish dishwasher tablets.

Chelverton Global Consumer Franchise Fund

Fund Overview

The Chelverton Global Consumer Fund is managed by a London-based team with extensive experience covering consumer companies. The fund pursues a long-only, 'Buy-and-Hold' strategy focused solely on global food, beverages and household and personal care companies (the 'Consumer Staples' sector). These companies have historically produced higher long-term returns than the market, and with lower volatility, the sector tends to combine attractive income generation with inflation protection and growth, supported by brands and franchises which have often been built over decades, even centuries.

The fund does not measure itself against any benchmark but has the objective of beating inflation consistently, with low risk and low volatility, through the ownership of high-quality Consumer Staples stocks that the team believe are capable of growing their earnings and cash flows at attractive rates almost indefinitely. The fund seeks to balance its desire to own the best quality stocks with a need to diversify its portfolio risk – it will be a concentrated portfolio (20-25 stocks), with low turnover.

Monthly Manager Commentary

Equity markets made further gains in March, as positive data points on the economy offset any disappointment that the pace and timing of any interest rate cuts may be delayed.

Although the majority of our portfolio companies have already reported FY results, it was still a very busy month of corporate newsflow, often with a material impact on (shorter-term) share price movements. Most notably, Reckitt fell by over 25% on news of the award (in the US) of considerable damages to a mother who has claimed that Reckitt's Mead Johnson infant formula product had caused her baby's death from NEC (necrotizing enterocolitis), a serious gastrointestinal problem that mostly affects premature infants. Reckitt will strongly challenge the award, and appears to have the considerable support of the US Physician community, the vast majority of whom seem to argue that infant formula products are a vital part of any potential treatment of premature birth. Many of them have already spoken in favour of the need to be able to prescribe infant formula products where necessary, highlighting that correlation does not imply causation. There are clearly many important moral issues to consider here, but Reckitt is a strong and attractive business (high margins and ROIC) and, as investors, we have taken the opportunity to increase our position at such attractive valuations (FCF yield now over 8%). The most notable other event was news that Unilever plans to demerge its Ice-Cream business next year – a company that would include such iconic brands as Walls, Magnum and Ben & Jerry's, amongst many others. Whilst on-going M&A is a key feature of what enables consumer staples businesses to endure over many decades, we are wary of the disposal part of this process as it almost always imposes significant dilution on existing shareholders, and is in itself an admittance of failure to grow the departing business. However, the proposed demerger would give us a chance to participate in what we think could be a very attractive business.

Of those companies that did report, both Brown Forman and Jamieson Wellness fell by over 10%, with short-term margins under pressure as both companies invest for longer-term growth. We have long admired this 'capacity to suffer', and in most cases the increased investment will drive faster growth and subsequent margin recovery. The 2 companies are the smallest positions in the portfolio at present, as we anticipated a period of some re-investment, but in both cases, the valuation is also attractive and we are looking for opportunities to increase our position. The Brown Forman Investor Day at the end of the month confirmed our thesis of the promising outlook for both sales and margins in the medium-term. One company emerging from a period of sustained pressure on margins is Fever-Tree, which rallied strongly on its FY results as it guided to a significant improvement in margins over the next few years. It is also notably outperforming a lacklustre US spirits markets and continues to gain significant share in over 90% of its markets.

Our biggest holding, L'Occitane, was the biggest positive contributor to performance for the 4th successive month. It is continuing to trade well, boosted by exceptional demand for its recently acquired Sol de Janeiro brand, and yet continues to trade at a discount to many of its larger peers. The share price is up by over 60% in the last 4 months, and although we have used this strength as an opportunity to take some (considerable) profits, despite reducing the number of shares we own by 40% it remains our biggest position.

The top 3 contributors in the month were L'Occitane, Heineken and LG H&H. The top 3 detractors were Reckitt, Brown Forman and Jamieson Wellness.

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Chelverton Global Consumer Franchise Fund

GBP Class A: launched 14 October 2014

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2014	-	-	-	-	-	-	-	-	-	-2.78%	5.62%	3.71%	4.53%
2015	6.21%	1.72%	-0.42%	-1.12%	1.56%	-5.59%	5.90%	-4.92%	2.87%	5.57%	1.05%	1.58%	14.48%
2016	3.04%	1.02%	3.14%	-1.16%	0.32%	11.44%	0.48%	0.23%	0.79%	1.68%	-9.04%	2.81%	14.48%
2017	0.43%	7.80%	1.97%	-1.63%	8.00%	-2.82%	-1.68%	1.89%	-4.69%	1.16%	0.43%	3.53%	14.45%
2018	-3.40%	-5.49%	-0.38%	-0.96%	0.79%	3.32%	4.32%	-1.03%	-0.72%	-1.99%	-1.35%	-6.63%	-13.19%
2019	0.62%	3.51%	7.09%	-0.66%	-0.19%	1.90%	3.87%	0.31%	-1.84%	-5.06%	3.46%	0.58%	13.88%
2020	-0.69%	-7.11%	-3.48%	6.50%	4.50%	1.05%	-3.00%	0.29%	4.13%	-5.47%	5.44%	4.09%	5.24%
2021	-3.23%	-3.78%	6.65%	4.25%	2.33%	2.16%	-2.93%	-0.56%	-1.04%	-0.50%	1.31%	4.60%	9.00%
2022	-3.27%	-1.08%	-1.33%	2.23%	-0.59%	-2.09%	0.35%	0.64%	-3.99%	-0.15%	6.60%	0.83%	-2.25%
2023	-0.15%	-1.06%	1.43%	1.87%	-6.06%	-1.25%	2.95%	1.37%	-5.21%	-5.78%	0.77%	4.72%	-6.86%
2024	-1.22%	2.66%	1.15%										2.58%

Management Company

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EUR Class A: launched 17 April 2015

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2015	-	-	-	-	-	-	-	-	-	-	-0.36%	-3.30%	-3.64%
2016	-0.44%	-1.16%	1.42%	0.22%	2.55%	-2.56%	-0.86%	-0.73%	-0.93%	-2.22%	-3.63%	2.26%	-1.15%
2017	-0.20%	8.44%	1.80%	-0.04%	4.36%	-3.59%	-3.47%	-1.24%	-0.20%	1.61%	0.02%	2.73%	10.05%
2018	-2.11%	-6.47%	0.59%	-1.01%	0.79%	2.49%	3.43%	-1.39%	-0.22%	-1.56%	-1.43%	-7.69%	-14.14%
2019	3.53%	5.46%	6.39%	-0.43%	-2.95%	0.69%	2.22%	0.87%	0.33%	-2.58%	4.64%	1.19%	20.63%
2020	0.09%	-9.19%	-6.20%	8.53%	0.85%	0.03%	-2.14%	1.24%	2.46%	-4.82%	6.02%	4.19%	-0.38%
2021	-2.09%	-1.95%	8.69%	2.13%	3.56%	2.24%	-2.29%	-1.12%	-1.25%	1.30%	0.53%	5.99%	16.21%
2022	-2.80%	-1.27%	-2.26%	2.82%	-1.73%	-3.33%	3.09%	-2.42%	-5.46%	2.09%	5.83%	-1.75%	-7.50%
2023	0.42%	-0.36%	1.12%	1.90%	-4.07%	-1.02%	3.10%	1.41%	-6.40%	-6.17%	1.85%	4.16%	-4.65%
2024	0.35%	2.36%	1.22%										3.97%

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USD Class A: launched 19 February 2016

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2016	-	-1.21%	6.37%	0.73%	-0.32%	2.35%	-0.21%	-1.13%	-0.03%	-4.90%	-6.46%	1.68%	-3.66%
2017	2.26%	6.63%	2.47%	1.77%	7.76%	-2.22%	-0.21%	-0.41%	-0.76%	0.13%	2.37%	3.46%	25.30%
2018	1.55%	-8.42%	1.43%	-2.75%	-2.62%	2.52%	3.65%	-1.94%	-0.39%	-3.97%	-1.50%	-6.80%	-18.27%
2019	3.92%	4.66%	4.91%	-0.62%	-3.50%	2.90%	-0.06%	-0.23%	-0.68%	-0.30%	3.42%	3.01%	18.45%
2020	-1.19%	-9.99%	-6.30%	8.34%	2.42%	1.00%	3.03%	1.87%	0.98%	-5.45%	8.87%	6.57%	8.59%
2021	-2.79%	-2.04%	5.24%	4.61%	4.80%	-0.46%	-2.30%	-1.57%	-3.05%	1.16%	-2.22%	7.08%	8.01%
2022	-4.19%	-1.07%	-3.17%	-2.51%	-0.21%	-5.66%	0.55%	-3.77%	-7.89%	3.68%	9.56%	1.84%	-13.19%
2023	2.19%	-2.71%	3.59%	3.56%	-7.37%	1.30%	4.19%	-0.17%	-8.70%	-6.33%	5.13%	5.45%	-1.30%
2024	-1.33%	1.98%	1.02%										1.65%

Source: Northern Trust & Chelverton 29 February 2024

Market Cap Breakdown

	No of Stocks	% of Portfolio
Above £30bn	8	34%
£10bn to £30bn	4	13%
Below £10bn	13	52%
Cash		1%
Total	25	100%

Source: Northern Trust & Chelverton 31 March 2024

Regional Exposure by Listing

	% of Portfolio
Europe	46%
Asia	31%
North America	22%
Cash	1%
Total	100%

Source: Northern Trust & Chelverton 31 March 2024

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