

Monthly Fact Sheet

30 June 2024

The Chelverton Select Consumer Staples 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.

Launch Date 31 December 2023
Fund Size €10m

Share Price (as at 30.06.24)
GBP A shares 162.32p

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.

Monthly Manager Commentary

Although markets were higher overall in June, these gains are increasingly concentrated in a small number of very large companies; for example, an equally weighted index of the top 500 US companies was down 3% during Q2. Inflationary pressures eased slightly, and we expect a healthy progression for consumer company gross margins during the reporting season later this month.

June is always a quiet month for company reporting, but often a busy period for conferences and company events. We attended the Deutsche Bank consumer conference in Paris, an event that brings together 100 companies and 400+ investors over 3 days. Whilst the primary purpose of the event is to discuss longer-term themes and strategies, it can also be an event where companies make informal comments on trading through the first half of the year. One of the most positive updates came from Heineken, whose business in Vietnam has started to improve after a difficult 12 months. It is one of Heineken's strongest emerging market businesses (dominant market share; highly profitable), so the improvement is a clear positive. With its European business also performing well, ahead of the Euro 2024 football and the Olympics, Heineken is likely to report H1 results next month that shows growth well ahead of its current full-year guidance.

In contrast to the strong performance from Heineken, the updates from the spirits industry were more downbeat. Diageo and Pernod (neither of which are in our portfolio) both said that growth in the important US market continues to run below its long-term rate, a trend that has continued for the last 12-18 months. Brown Forman confirmed a similar picture at its FY results, guiding to only modest growth for the current year. However, these shorter-term concerns on trading have now driven the Brown Forman valuation down to a level that is c30% below its long-term average, which we believe has created an excellent opportunity. The company's admirable long-term record, where growth has averaged 6% pa for most of the last 7 decades, suggests that the current slowdown is only temporary. We see an acceleration in sales growth, together with improving margins (supported by lower agave costs for tequila), as likely to drive both improvements in both free cash flow and the valuation. Lower agave costs should have a marked impact at Bece, whose Jose Cuervo brand is also benefiting from the tailwinds driving the US tequila category.

Elsewhere, we also attended the Capital Markets day at Beiersdorf, now the portfolio's largest (active) position. Since Vincent Warnery became CEO 3 years ago, the company has been delivering above average sales growth with healthy margin expansion, and we believe that is likely to continue for the medium-term. A management team with renewed focus on its 3 core (and iconic) brands - Nivea; Eucerin; La Prairie - is driving strong share gains, with both increased advertising and product innovation supporting that growth. Although the share price closed modestly lower over the month (on no 'new news' at the event), we see a considerable medium-term opportunity for the business. The share price should also be supported by the first dividend increase for over a decade, as well as its first share buy-back.

Progress in our Asian beauty holdings had a setback at the end of the month following some cautious comments from the L'Oreal CEO on current trading in China. We believe this is generally well known and likely to be just a shorter-term issue, and also overlooks the progress some of the key brands are making in other important markets. Most notably, trading in Japan is not only strong but also accelerating, with domestic consumption now being supported by the growth in tourism, no doubt attracted to the country by the recent weakness in the Yen. Our Korean businesses are also seeing strong export growth to the US which, along with progress in Europe, is helping to offset the modest decline in China.

The top 3 contributors in the month were Unilever, Jamieson Wellness and Bece. The top 3 detractors were Amorepacific, LG Health and Household and Beiersdorf.

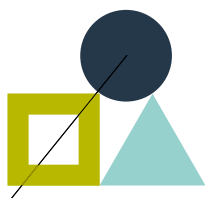
Performance Since Launch (%)

Performance is not shown on this factsheet as the fund has changed manager. Platform providers have historical data.

Top 10 Holdings

| Rank | Holding | Sector | % of Portfolio |
|------|--------------|-----------------|----------------|
| 1. | L'Occitane | Personal Care | 7.57 |
| 2. | Beiersdorf | Personal Care | 6.82 |
| 3. | Reckitt | Household Goods | 6.18 |
| 4. | Unilever | Personal Care | 6.02 |
| 5. | KOSÉ | Personal Care | 5.29 |
| 6. | Heineken | Beverages | 4.69 |
| 7. | Fever-Tree | Beverages | 4.63 |
| 8. | Shiseido | Personal Care | 4.43 |
| 9. | Amorepacific | Personal Care | 4.36 |
| 10. | Nestlé | Food | 4.29 |

Source: Chelverton Asset Management Limited as at 30 June 2024



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| | |
|----------------------------------|--------------|
| Valuation | 10am CET |
| Domicile | Ireland |
| Base Currency | EUR |
| | GBP A Shares |
| Initial Charge (%) | Up to 5% |
| Annual Management Fee (%) | 0.75% |
| Minimum Investment | £100 |
| Ongoing Charge (%) | 0.99% |

| Share Class | ISIN |
|--------------|--------------|
| GBP A shares | IE00BQQFW373 |
| CHF A shares | IE00BQQFW597 |
| EUR A shares | IE00BQQFW480 |
| USD A shares | IE00BQQFW373 |

| | |
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Chelverton Select Consumer Staples Fund

Geographic Breakdown

| | % of Portfolio |
|--------------|----------------|
| Canada | 2.3 |
| Europe ex-UK | 23.5 |
| UK | 13.0 |
| Japan | 14.8 |
| US | 17.5 |
| Hong Kong | 7.6 |
| Mexico | 3.0 |
| South Korea | 7.9 |
| Switzerland | 8.4 |
| Cash | 2.0 |

Sector Breakdown

| | % of Portfolio |
|-----------------|----------------|
| Beverages | 20.4 |
| Food | 15.0 |
| Household Goods | 10.2 |
| Personal Care | 52.4 |
| Cash | 2.0 |

Market Cap Breakdown

| | % of Portfolio | No. of Stocks |
|---------------|----------------|---------------|
| Above €30bn | 36.4 | 8 |
| €10bn - €30bn | 13.0 | 4 |
| Below €10bn | 48.6 | 13 |
| Cash | 2.0 | N/A |
| Total | 100.0 | 25 |

Source: Chelverton Asset Management Limited as at 30 June 2024

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