

Monthly Fact Sheet

31 July 2024

The Chelverton Global Consumer Franchise 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.

*market is MSCI World; note the fund has no formal benchmark

Launch Date 1 January 2024
Fund Size €10.4m

Share Price (as at 31.07.24)
 GBP A shares 163.98p

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

July was a volatile month for markets, with a strong start offset by subsequent concerns over weak economic data in the US as inflationary pressures eased and unemployment started to rise. Our portfolio was robust in the face of falling markets in the latter part of July, as the benefits of strong cash flows and resilient demand for its products becomes more attractive in uncertain times. The fall in many commodities is also helpful for gross margin expansion over the next 12-18 months.

There were contrasting fortunes from 2 of our largest holdings, Reckitt and Unilever. Reckitt results showed modest progress in its core business, but the shares rose as it announced a significant restructuring of the Group. As well as confirming speculation that it would explore 'strategic alternatives' for its Infant Nutrition business, it also announced plans to dispose of some of its lower growth (but highly profitable) Home Care brands, most notably Air Wick, Calgon, Cillit Bang & Mortein. Whilst we are often sceptical around the benefits of such disposals, the Reckitt programme has scope to create substantial value for shareholders as it has promised to return the entire proceeds to shareholders. At the current depressed share price, it may be able to buy-back (our preferred method of returning surplus cash) over 30% of the company in a relatively short period of time. The remaining business has grown sales at 7% pa for the last 5 years, with a gross margin of 61% - clearly an attractive investment proposition. However, this good news was offset by a further adverse ruling in the litigation case against the US Infant Nutrition industry, this time against Abbott, its key competitor. Reckitt denies any liability, refuting the need to provide for it in its own accounts, and has received supportive comments from the American Association of Paediatricians (amongst others). The Reckitt valuation has now fallen by nearly £10bn in the last few months, despite independent experts' view of a likely cost of £1-2bn. We have continued to add to our position through this weakness.

Unilever reported very strong results, with a 3rd successive quarter of volume growth under the new management team, after 2 years of declines under the previous regime. Unilever has always had a very strong business, and the new team have focused incentives on key areas, with impressive early results. Gross margin gains have also been very healthy, up over 400bps in H1, which in turn has allowed for re-investment into brand support (advertising), reaching its highest level for over 6 years. It is a welcome reminder of what focus can bring to a strong set of brands and market positions, and we believe the recent improvement is likely to have many years of further progress to come.

In contrast, the spirits industry is clearly going through a difficult time, driven largely by the gradual unwinding of excess demand in the US through the COVID period. Diageo in particular reported weak results and guided to further problems in the next 12 months. Our portfolio doesn't own Diageo, but although both Beclé (owner of Jose Cuervo) and Campari were able to report modest growth for the period, their share prices were still impacted by the negative sentiment around the industry. We expect our holdings to continue to outperform the industry, and should also see significant gross margin benefits from lower agave costs (the key ingredient for tequila), which are down by over 75% from their recent peak.

The beauty industry has had mixed fortunes so far this year, with results from L'Oreal (which is not in our portfolio) showing on-going weakness in China only partially offset by strength in other parts of Asia. In China, many brands are having to re-consider their longer-term strategies as the market moves away from the promotionally-intensive holiday sales periods. Equally, some of the domestic demand from China is being seen in tourist markets, with Japan being a notable beneficiary.

The top 3 contributors were Unilever, Amorepacific and Interparfums. The bottom 3 were Fever-Tree, BellRing and Heineken.

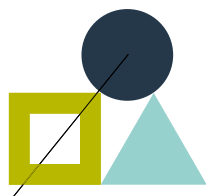
Performance Since Launch (%)

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. | Beiersdorf | Personal Care | 6.60 |
| 2. | Unilever | Personal Care | 6.55 |
| 3. | Reckitt | Household Goods | 6.45 |
| 4. | KOSÉ | Personal Care | 5.38 |
| 5. | Shiseido | Personal Care | 4.75 |
| 6. | Amorepacific | Personal Care | 4.70 |
| 7. | Heineken | Beverages | 4.59 |
| 8. | Lindt | Food | 4.34 |
| 9. | Nestlé | Food | 4.27 |
| 10. | Nomad Foods | Food | 4.26 |

Source: Chelverton Asset Management Limited as at 31 July 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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Geographic Breakdown

| | % of Portfolio |
|--------------|----------------|
| Europe ex-UK | 23.5 |
| US | 21.4 |
| Japan | 15.8 |
| UK | 12.8 |
| Switzerland | 8.6 |
| South Korea | 8.2 |
| Mexico | 2.7 |
| Canada | 2.5 |
| Cash | 4.6 |

Market Cap Breakdown

| | % of Portfolio | No. of Stocks |
|---------------|----------------|---------------|
| Above €30bn | 40.4 | 9 |
| €10bn - €30bn | 10.3 | 3 |
| Below €10bn | 44.7 | 13 |
| Cash | 4.6 | N/A |
| Total | 100.0 | 25 |

Source: Chelverton Asset Management Limited as at 31 July 2024

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