

Monthly Fact Sheet

30 September 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 € 8.3m

Share Price (as at 30.09.24)
GBP A shares 160.48p

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

Markets rose in September, although the month was dominated by the last week of trading, in response to the unexpected economic stimulus package announced by the Chinese government. China (CSI 300) rose over 20% in the last 6 days of trading, and through the month moved from trading at a 5-year low to a 1-year high. Developed markets also responded positively, although those gains were dominated by companies exposed to local demand in China.

Whilst we don't invest directly in Chinese listed stocks (due to concerns over corporate governance standards), our portfolio has a meaningful exposure to the Chinese economy, primarily through a number of beauty companies and their local businesses in the region. We see China in particular, and developing Asia more generally, as an area with considerable long-term growth prospects. As a guide to the scale of the opportunity - and a key reason for our significant position in those stocks - we believe per capita consumption in the beauty industry in China is still less than 10% of most developed markets; in other emerging markets such as India, it is even lower. It is also important to remember that these low levels of per capita consumption are also on a very large population base - China, India and other developing markets in the region are home to 3bn people, almost 10x the size of the US population. It is easy to underestimate the long-term potential of these markets, and doubt how valid the opportunity is during such periods of shorter-term weakness.

Whilst it is still early days to assess the likely impact of the Chinese government's stimulus package, initial comments generally see it as a significant change in policy. Prestige beauty sales in China have been down by 10-20% this year, and for many of the companies in our portfolio it is over 20% of their business. That has been a significant headwind to growth, so it was no surprise to see share prices react strongly to the government announcement. For example, Shiseido was up almost 20% on the month, although it is still down over 10% on a year-to-date basis. There was a similar picture in other stocks, with Estee Lauder up 10% on the month but still down over 30% year-to-date, and we have been able to double our position close to the lows for the year.

The other notable move during the month came in the Spirits industry, which has also been struggling so far this year due to weakness in the key US market. Our view is that at-home consumption received a boost during the COVID years, and consumers generally are currently using purchases from that period before buying more. This can be seen in per capita consumption data, which will be down in 2023/24 but on our analysis should have 'normalised' by the end of this year, preparing the grounds for future growth. A trading update from Diageo towards the end of the month suggested that, whilst the US was not yet improving, it had at least stabilised - broadly in line with our analysis - and this was enough to drive a sharp recovery in most share prices. As with the Beauty industry, though, most stocks remain well below their 12m highs and have significant upside once the key US market does return to growth. The main company-specific news was in Campari, where it was announced that recently appointed (April 2024) CEO Matteo Fantacchiotti was resigning, with immediate effect. Given that the previous CEO had served for over 15 years, such a short tenure was clearly a considerable surprise. However, in response to the initial fall in the share price, the controlling Garavoglia family announced it would buy a further €100m of stock, adding to the 51% it already owns (via its Lagfin holding company), prompting a significant recovery. The net result was that, over the course of 2 days the shares were 5% lower, but we believe the actions of the family highlight the long-term attractions of both the group and its position within the spirits industry.

We see excellent longer-term prospects for both the spirits and beauty sub-sectors of consumer staples, as they are the strongest gross margin categories and generally have brands that can become relevant in many international markets, which should drive healthy sales growth. So whilst this year's headwinds in the US and China have held back performance, the longer-term growth prospects are also supported by what are currently very attractive valuations.

The top 3 contributors were Shiseido, Amorepacific and BellRing brands. The bottom 3 were Fever-Tree, Campari and Nestlé.

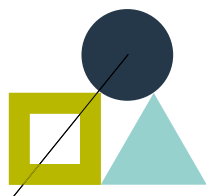
Performance Since Launch (%)

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. | Reckitt | Household Goods | 7.39 |
| 2. | Unilever | Personal Care | 6.91 |
| 3. | Beiersdorf | Personal Care | 6.80 |
| 4. | KOSÉ | Personal Care | 5.23 |
| 5. | Fever-Tree | Beverages | 4.73 |
| 6. | Heineken | Beverages | 4.71 |
| 7. | Lindt | Food | 4.45 |
| 8. | Nomad Foods | Food | 4.20 |
| 9. | Nestlé | Food | 4.11 |
| 10. | Shiseido | Personal Care | 4.10 |

Source: Chelverton Asset Management Limited as at 30 September 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 | IE00BQQFVW90 |

| | |
|---------------------|-----------------|
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FURTHER INFORMATION

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Geographic Breakdown

| | % of Portfolio |
|--------------|----------------|
| Europe ex-UK | 23.7 |
| US | 22.0 |
| Japan | 15.4 |
| UK | 14.9 |
| Switzerland | 8.6 |
| South Korea | 7.6 |
| Canada | 2.8 |
| Mexico | 2.6 |
| Cash | 2.5 |

Market Cap Breakdown

| | % of Portfolio | No. of Stocks |
|---------------|----------------|---------------|
| Above €30bn | 42.5 | 9 |
| €10bn - €30bn | 5.8 | 2 |
| Below €10bn | 49.2 | 13 |
| Cash | 2.5 | N/A |
| Total | 100.0 | 25 |

Sector Breakdown

| | % of Portfolio |
|-----------------|----------------|
| Personal Care | 48.3 |
| Beverages | 20.0 |
| Food | 15.2 |
| Household Goods | 14.0 |
| Cash | 2.5 |

Source: Chelverton Asset Management Limited as at 30 September 2024

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