

Monthly Fact Sheet

30 November 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.

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

Launch Date 1 January 2024

Fund Size € 7.7m

Share Price (as at 30.11.24)

GBP A shares 150.06p

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

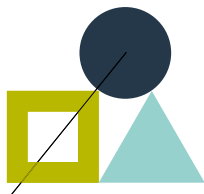
at Legal & General in 1985 and then worked at Gartmore (1988-1998), responsible for managing pension scheme equity portfolios. He then moved into investment banking with Dresdner Kleinwort (1998-2001), before joining Deutsche Bank in 2001, where he played a pivotal role in the creation and organisation 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 Select Consumer Staples Fund

Monthly Manager Commentary

Market moves in November were dominated by the re-election of Donald Trump as the next US President, and what his economic policies may mean for various asset classes. The dollar was notably strong, as were US equities, but elsewhere markets struggled to make much progress. The likelihood of faster economic growth in the US meant less scope for rate cuts, although the opposite picture is emerging in Europe. There was also concern on what tariffs may mean for many businesses focused on exports to the US.

Our portfolio strategy is to focus on those businesses within the world of consumer staples that we believe offer the best long-term growth opportunities, with a bias towards those companies that can also offer the opportunity to expand margins faster than usual and/or make a notable impact through capital allocation. Two categories that stand out from that perspective are the spirits and beauty industries, with the US and China (respectively) being the key markets driving the growth. However, despite the significant long-term attractions, both industries have struggled this year, putting pressure on most companies' share prices. During the quarter we were able to take advantage of the steep fall in the Estée Lauder share price to establish a much larger position, now one of our top 5 holdings (having been the one of the smallest positions at the start of the year, at just over 1%). As well as difficult trading in China/Asia, the company has also had to navigate a change of both CEO and CFO in the last few months, to add to the uncertainty. However, in a display of admirable clarity (sadly all too rare, more generally) it has chosen to cut the dividend to allow for a more flexible capital allocation approach at such depressed levels for the share price (ie. more scope for buy-backs).

Whilst we do not expect tariffs to have a meaningful impact on the demand for the vast majority of consumer staples products, for a wide range of reasons, that hasn't stopped a number of share prices reacting adversely to the initial news of the US election result. Most importantly, much of the industry has local supply chains, and the larger companies in particular have subsidiaries that have been operating as domestic businesses in many of these markets for decades. It is also an industry that is rarely deemed to be of 'strategic importance' to governments in the way that others may be (airlines, autos and computer chips, for example). It is true that consumer staples are sometimes caught in the 'crosshairs' of a trade war, such as the current situation in China, where in response to EU levies on electric vehicles, China has opted to impose large tariffs on cognac. However, even in situations like this, the high gross margins give a natural degree of protection, where a 10% surcharge may only require a price increase of 1-2% to cover the costs. The natural bias of the portfolio to the higher gross margin (and more international) brands in the beauty and spirits industries should stand the portfolio in good stead to navigate such times.

November was also notable for the annual investor meetings of some of the biggest companies in our portfolio, in particular Nestle, P&G and Unilever. The stand-out presentations undoubtedly came from Unilever, and especially its recently appointed CFO Fernando Fernandez. He speaks with a clarity that has been lacking at Unilever for many years, that should enable the company to realise some of its considerable potential. It has a 60% exposure to emerging markets, where it has often been present for almost one hundred years, and where per capita consumption remains very low. By aligning incentives with the key targets, Unilever is starting to capitalise on the opportunity, but we believe this is just the beginning. For example, India is 12% of sales and home to almost 1.5bn people - if Unilever is able to increase consumption by just \$5/person, it would add c20% to Group sales. We were also encouraged to hear about the progress and proposed separation of its Ice-Cream business, which we believe could also represent an attractive opportunity.

During the quarter we got the last of the Q3 trading updates, and one of the most positive came from BellRing Brands. It is the biggest contributor to returns in the portfolio this year, and was top (again) in November. BellRing is the market leader in the US ready-to-drink protein category through its Premier Protein brand (it also owns the Dymatize protein powder brand). The key brands are almost 30 years old, but the company was only created 5 years ago when it was de-merged from Post Holdings. Over that period, sales have grown at almost 20% pa, and the share price has done even better - rising more than 5-fold. It is a great example of the jewels that can be found in the consumer staples industry, and should still have many years of growth ahead of it, as one of the leaders in the (highly fragmented) nutrition category.

The top 3 contributors in the month were BellRing Brands, Interparfums and P&G. The bottom 3 were Kose, Shieido 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.	Reckitt	Household Goods	7.89
2.	Unilever	Personal Care	7.40
3.	Beiersdorf	Personal Care	6.81
4.	Procter & Gamble	Household Goods	4.94
5.	Estée Lauder	Personal Care	4.51
6.	Heineken	Beverages	4.44
7.	Fever-Tree	Beverages	4.41
8.	Lindt	Food	4.19
9.	KOSÉ	Personal Care	4.19
10.	Nestlé	Food	4.13

Source: Chelverton Asset Management Limited as at 30 November 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
US	24.6
Europe	23.4
UK	15.1
Japan	14.0
Switzerland	8.3
South Korea	7.0
Canada	3.0
Mexico	2.5
Cash	2.1

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above €30bn	41.1	8
€10bn - €30bn	10.0	3
Below €10bn	46.8	14
Cash	2.1	N/A
Total	100.0	25

Sector Breakdown

	% of Portfolio
Personal Care	49.1
Beverages	19.0
Household Goods	15.6
Food	14.2
Cash	2.1

Source: Chelverton Asset Management Limited as at 30 November 2024

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