

Monthly Fact Sheet

31 December 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	€ 7.4m
Share Price (as at 31.12.24)	
GBP A shares	147.01p

Fund Managers



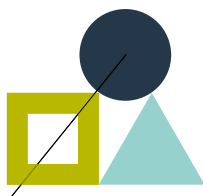
Mark Purdy

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

Markets were lower in December as investors continued to reduce the speed with which they expect the US Fed to cut rates in 2025, as well as the potential economic impacts of a more aggressive trade (& tariff) policy under Donald Trump. The slower pace of interest rate cuts in the US also meant the dollar finished the year strongly. There was also continued uncertainty around the Chinese government's attempts to stimulate faster growth through increased consumer demand.

December is always a quiet month for industry news, with the only notable event being the interim results from Brown Forman. The spirits industry has been hit by fears that a cyclical (Covid-induced) slowdown is becoming more structural, compounded by concerns that the US may be about to embark on a series of tariff wars. Although forecasts have fallen over the last 12 months, the bigger impact on share prices has come from a 20%+ de-rating, taking many stocks to decade-long valuation lows. Whilst we remain vigilant in the search for any signs of a more structural slowdown, our analysis so far continues to point to the unwinding of excess demand in the early Covid years as the primary headwind. As a guide to how negative sentiment against the industry has become, Brown Forman was able to maintain its guidance for a modest 2% sales growth, which was enough to see the shares rally 10% on the day. There was another (unexpected) news item in that Campari announced it was appointing Simon Hunt as its new CEO, some 6 months earlier than it had said was likely. Again, as a sign of the depressed sentiment, the shares rallied 7%. We met with the company a week after the announcement and share its optimism for the opportunities ahead. In particular, the introduction of a House of Brands structure could yield significant benefits and drive faster growth for the medium/longer-term. Campari was a top 3 contributor to returns in the month.

December was also a better month for some of our holdings in the beauty industry, with Estee Lauder and Kose being the top 2 contributors to returns. Both companies were responding to new medium-term management targets, with Kose in particular giving guidance for ROIC that focused on both the asset side of the balance sheet as well as its profitability. Whilst only modest in its initial ambition (70% gross margins and double-digit operating margins should produce a lot more than 10% for its ROCE), it is nonetheless a welcome step in the right direction and joins the trend for Japanese companies to become more focused on shareholders as well as other stakeholders. Our strategy is always to focus on sales growth as the primary driver of long-term value, backed by opportunities for significant margin expansion if possible. Kose offers both of those, and now also has the scope to support that with effective capital allocation. We do not invest on the basis of potential corporate activity, but strong businesses trading at depressed valuations will always attract outside interest. During 2024 we saw private equity become increasingly involved in the Japanese consumer industry, most notably at Lion Corporation and 7&i Holdings. With global businesses like Kose and Shiseido trading at around 1x sales, against industry leader L'Oréal on 4x sales (for a similar gross margin), it would be no surprise to see increased external interest in the Japanese consumer industry as we move through 2025.

The prospect of higher inflation has also weighed on some businesses due to the potential pressure on margins. In particular, coffee and cocoa costs have risen sharply, as have smaller categories such as whey (for protein supplements). What this simplistic approach overlooks is the ability of companies exposed to these input cost pressures to raise prices and therefore total sales, as well as protecting cash profit margins. Mondelez (which we don't own) and Nestle (which we do) were both down 20% last year, although Lindt was more stable as it continues to gain share. There was considerable divergence of our holdings in the fast-growing protein supplements industry, with the result that BellRing Brands ended the year trading at 3x the valuation of Glanbia (owners of the market-leading Optimum Nutrition brand). Both companies expect to see higher prices in 2025 (and, possibly, lower volumes), but investors seem to have taken markedly different views on the impact this will have on the two businesses. In all cases we prefer an environment of only modest input cost inflation, which allows for stronger volume growth, but one of the most attractive and sustainable attributes of the consumer staples industry is its ability to navigate its way through a wide variety of macro economic circumstances.

Our portfolio starts 2025 in a strong position, we believe. Following the de-rating of many stocks in consumer staples during the last 12 months, our portfolio now trades on a free cash flow yield of over 5%, driven by 6% organic sales growth in 2025.

The top 3 contributors in the month were Estée Lauder, KOSÉ and Campari. The bottom 3 were Unilever, P&G and Beclé - with the first 2 representing profit taking after a strong year. Over the last 12 months, the top 3 contributors were L'Occitane (prior to its bid and de-listing in Q3), BellRing Brands and Unilever. The bottom 3 were KOSÉ, Shiseido and Fever-Tree.

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	Company Name	Sector	% of Portfolio
1.	Reckitt	Household Goods	8.01
2.	Unilever	Personal Care	7.30
3.	Beiersdorf	Personal Care	7.00
4.	Estée Lauder	Personal Care	4.87
5.	Procter & Gamble	Household Goods	4.79
6.	KOSÉ	Personal Care	4.45
7.	Fever-Tree	Beverages	4.36
8.	Heineken	Beverages	4.35
9.	Lindt	Food	4.18
10.	Pola Orbis	Personal Care	4.13

Source: Chelverton Asset Management Limited as at 31 December 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	IE00BQQFW266
USD A shares	IE00BQQFW480

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FURTHER INFORMATION

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Geographic Breakdown

	% of Portfolio
US	24.5
Europe	23.4
UK	15.2
Japan	14.3
Switzerland	8.3
South Korea	6.8
Canada	3.0
Mexico	2.2
Cash	2.3

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above €30bn	41.1	8
€10bn - €30bn	10.3	3
Below €10bn	46.3	14
Cash	2.3	N/A
Total	100.0	25

Sector Breakdown

	% of Portfolio
Personal Care	49.7
Beverages	18.7
Household Goods	15.5
Food	13.8
Cash	2.3

Source: Chelverton Asset Management Limited as at 31 December 2024

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