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Chelverton
SELECT CONSUMER STAPLES FUND

Chelverton Select Consumer Staples Fund

Monthly Fact Sheet

31 January 2025

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	£8m

Share Price (as at 31.01.25)

Shares	**Accumulation**
B Shares	151.80p

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 generally made a strong start to 2025, albeit with notable periods of volatility during the month. Bonds fell at the start of the month in response to on-going strength in the US economy and stubborn inflation. Towards the end of January saw the emerging threat of DeepSeek's new AI model, which drove significant rotation into more traditional businesses. There was also increasing noise about the level of tariffs likely to be imposed by the US on its key trading partners.

Performance in January was driven by a variety of factors, with the biggest moves coming on the back of the news that Chinese company DeepSeek had developed an alternative AI model at a fraction of the cost of those from the current leading players. This led to significant rotation into more traditional businesses, with the Consumer Staples sector being a notable beneficiary. This is reminiscent of the period around the peak of the dotcom bubble in early 2000 when, despite a fall in the overall market, the Consumer Staples industry was able to deliver significant positive returns. Early reporting from 2 of the largest companies (P&G and Colgate) showed encouraging real growth, and the trading update from Lindt showed what the best consumer staples businesses can deliver, even when faced with more headwinds than usual. Rising cocoa prices had seen both Hershey and Mondelez (which we don't own) fall by c20% through last year as forecasts fell by a similar amount. However, Lindt was able to report further market share gains in most regions, and delivered 8% organic growth for the year, with an acceleration in the second half. Growth was led by the supposedly 'mature' European business, where sales grew double-digits. The company also issued guidance for FY'25 where, contrary to depressed expectations, it was able to forecast sales growth of 7-9%, above its medium-term targets. Perhaps not surprisingly, the shares rose 5% on the day.

The Beauty sub-sector also saw a marked improvement in sentiment, driven by a number of updates from luxury peers (with a similar exposure to the Chinese consumer) delivering results that were no worse than feared and showed improving trends in Q4 relative to Q3. As a sign of how depressed both valuations and expectations had become, the Beauty holdings in our portfolio were 3 of the top 5 contributors in the month (Amorepacific, Estee Lauder and Interparfums). As an industry where growth is driven by brands that can travel across markets, there have been concerns as to the impact of potential tariffs. However, our portfolio is focused largely on the Asian businesses, whose main export markets are located within the region. The excellent gross margin profile of these businesses (70-80%) also offers strong protection against the impact of any tariffs.

The weakest part of the portfolio in January was the Spirits industry, as the threat (and initial introduction) of tariffs puts potential pressure on margins. It is the nature of the industry that many brands travel across borders, as (for example) Tequila has to come from Mexico; Scotch from Scotland, Cognac from France and Jack Daniels Tennessee Whiskey from (not surprisngly) Tennessee. Whilst this can make it dificult to avoid the impact of tariffs, every brand in each category is in the same situation, which makes modest price increases to offset the higher duty relatively easy to achieve. Another potential offset to the tariff threat is recent weakness in some currencies, with the Mexican Peso in particular benefitting exports into the US by a significant amount. Given the high gross margins that these brands earn, it may only need a price increase at around one quarter of the tariff imposed to protect margins. Whilst we are by no means complacent about the threat to growth posed by tariffs, it is notable that during Trump's previous term as President (& higher tariffs), gross margin performance across the industry was broadly stable - higher at Campari; lower at Brown Forman and flat for Diageo. There has also been an increased focus on the outlook for demand in the US and whether increased usage of GLP-1 drugs will have an adverse impact. The empirical evidence so far would suggest not, and our own anecdotal research has come to the same conclusion. We remain of the view that recent trends in per capita consumption are best explained by the excess demand created during the early COVID period and its subsequent unwinding.

The biggest move in the month came from Fever-Tree, one of the fund's top 5 positions. It rose by over 20% in one day as it announced a transformational deal with Molson Coors, the North American brewer. Under the terms of the deal, Molson Coors will take on the bottling and distribution of Fever-Tree's brands in the US, creating an opportunity that management described as "multiple times the size" of the deal with its current US distribution partner, Southern Glazers Wines & Spirits. As a sign of its own confidence in the deal, Molson Coors will also acquire an 8.5% equity stake in Fever-Tree, a move that prompted speculation that it will eventually seek to acquire the whole company. We do not buy companies in the hope that they may be acquired but, by owning some highly profitable businesses with a long runway for growth ahead, it is natural that many of them will attract the interest of the gloabl giants within the Consumer Staples industry.

The top 3 contributors in the month were Fever-Tree, Reckitt and Amorepacific. The bottom 3 were Becle, Jamieson Wellness and Campari.

Cumulative Performance

	1m	3m	1yr	3yrs	5yrs	Since Launch
Fund (%)	3.25	0.52	-5.07	-	-	-6.22

Source: Morningstar, NAV to NAV, A Shares Acc, Total Return to 31.01.2025

Calendar Year Performance (%)

	YTD	2024	2023	2022	2021	2020
Fund	3.25	-9.18	-	-	-	-

Source: Morningstar, NAV to NAV, A Shares Acc, Total Return to 31.01.2025

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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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Chelverton Select Consumer Staples Fund

Top 10 Holdings

Holding		Sector	% of Portfolio
1.	Reckitt	Household Goods	8.6
2.	Unilever	Personal Care	7.2
3.	Beiersdorf	Personal Care	7.1
4.	Estée Lauder	Personal Care	5.3
5.	Fever-Tree	Beverages	5.0
6.	Procter & Gamble	Household Goods	4.6
7.	KOSÉ	Personal Care	4.6
8.	Heineken	Beverages	4.3
9.	Lindt	Food	4.3
10.	Nestlé	Food	4.1

Geographic Breakdown

	% of Portfolio
Europe	23.3
US	23.2
UK	16.3
Japan	14.0
Switzerland	8.4
South Korea	7.2
Cash	3.2
Canada	2.7
Mexico	1.7
Cash	3.2

Sector Breakdown

% of Portfolio	
Personal Care	50.0
Beverages	16.9
Household Goods	15.7
Food	14.2
Cash	3.2

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above €30bn	41.3	8
€10bn - €30bn	10.6	3
Below €10bn	45.0	14
Cash	3.2	N/A
Total	100.0	25

Source: Chelverton Asset Management Limited

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