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Chelverton
UK OPPORTUNITIES FUND

Monthly Fact Sheet

28 February 2025

Investment Objective and Policy

The objective of the fund is to achieve capital growth by investing in fully listed and AIM listed UK equities across the UK market size spectrum but always with a minimum of 60% of assets in large cap UK equities.

Launch Date	28 October 2024
Fund Size	£35m
Historic Yield*	0.32% (e)

Share Price (as at 28.02.25)

Shares	Income	Accumulation
B Shares	98.30p	104.39p

Codes (B Shares)

	Income	Accumulation
ISIN	GB00BLCCHF49	GB00BLCCHD25

Fund Managers

Julie Dean
joined the Chelverton UK team in 2024, bringing with her a wealth of fund management experience and is renowned within the industry for her astute business cycle investing approach. Her career began at GT, managing UK equity funds, after which she moved to HSBC, where she oversaw UK Growth funds and institutional portfolios. In 2002, Julie joined Cazenove and managed the Cazenove/Schroder UK Opportunities Fund. Julie holds a BA (Hons) in Modern History from St Anne's College, Oxford University.

Henry Botting
joined Chelverton Asset Management in 2021 and was appointed co-manager in August 2022. Prior to joining, Henry worked on the Equity Sales team at finnCap, where he specialised in UK small and micro-cap companies. He has a degree in Economic and Social History from the University of Edinburgh and prior investment management experience at Rathbones and OLIM. Henry is a CFA Charterholder.

*The historic yield reflects distributions over the past 12 months as a percentage of the bid price of the B share class as at the date shown. It does not include any initial charge and investors may be subject to tax on their distributions.

(e) is estimated

MI Chelverton UK Opportunities Fund

Monthly Manager Commentary

The UK equity market rose 0.93% in February and our fund price declined 1.68% (accumulation units). Large cap stock selection was positive but outweighed by our overweight in mid and small cap stocks. Dispersion of returns was high at the sector and size level, as in January, continuing the pain trade for much of the UK active industry. Large cap stocks rose 1.57% outperforming mid-cap stocks and small caps which fell 2.9% and 1.9% respectively.

At the stock level the strongest contributors to return came from Standard Chartered +80bps, Barclays +34bps, Aviva +23bps, Prudential +21bps and BP +19bps with the key detractors from performance Warpaint 29bps, Everplay 28bps, B+M European 26bps, 4Imprint 23bps and Diageo 23bps.

Our two largest positions Barclays and Standard Chartered both reported strong full year 2024 results ahead of market expectations. We expect market confidence in Barclay's ROTE exceeding guidance of 11% in 2025 and 12% in 2026 will increase; Barclays shares trade on just 0.6x 2026e TNAV – even if the shares do not re-rate the c.30% expected growth in TNAV will drive a competitive share price return. Standard Chartered results were also strong, the final dividend was 18% ahead of expectations and the share buyback larger at $1.5bn versus $1.1bn consensus. Like Barclays, Standards is now tracking towards the top of their guidance with 2026 ROTE of 13% looking very achievable and the shares look good value on 0.7x 2026e TNAV. Capital generation is prodigious at both.

The UK banks sector has led the market since the trough in October 2022 after more than a decade of underperformance as a prolonged period of super-low real interest rates was required to re-build bank balance sheets. The return to a term structure to interest rates enables them to make money on assets and liabilities, the regulator has forced them to be super-prudent – so no one has lent (in 2024 RWA grew just 4.6% at Barclays and -2% at Standard Chartered) and there is no provisioning cycle. So in the absence of a stronger industrial or consumer cyclical earnings cycle the banks will continue to make excess returns and give this back to shareholders; and when the cycle does shift fully into expansion the banks will be in a position to fund RWA growth, kick-starting a normal banking profit cycle.

Staying with financials Aviva delivered full year 2024 operating profit growth of 20% beating consensus by 6%. The CEO outlook statement was confident, we expect forecasts will rise once the Direct Line acquisition completes and a resumption of the share buy-back in 2026 would give a forward total distribution yield of c.10.5%. Man Group also delivered a strong set of full year results with profits 6% ahead and performance fees 9% better than consensus. AUM was inline but with a positive inflow in the final quarter. With fissures appearing in the dominance of the Mag7 and UK large caps outperforming the US market this is a good backdrop for Man who provide uncorrelated investment strategies.

GSK is our largest growth defensive which we own despite our pro-cyclical outlook because of the deep value on offer here – the shares trade on just 7.5x 2026 earnings and an approximate 35% discount to pipeline value. A good set of full year numbers this month which modestly beat expectations for the first time in a long time and approval of the Penmenvy vaccine in the US – despite anxieties regarding RFK Jr – are the first steps in closing the value gap. GSK has 4 more potential approvals this year. Smith & Nephew positively surprised with stronger fourth quarter revenues and a higher 2H operating margin leading to full year profits 8% ahead of expectations. The key US orthopaedics division still lags the market growth but it is on a sequentially improving trend. There is some read through to Victrex's AGM comments this month suggesting that the pace of medical destocking, brutal for the past 16 months, may be troughing with inventory at low levels and US procedural volumes picking up. Overall Victrex reported Q1 25 volume growth of 20% - a good result in a seasonally quiet quarter with signs of recovery in industrial end markets. Similarly, Spectris reported Q4 2024 like-for-like order intake of +6% compared with -7% l-f-l for the full year. More encouraging corporate outlook statements chime with the February US ISM Manufacturing index which remained above 50 for the second month with production turning positive for the first time.

The BoE cut rates 25bps to 4.5% this month with two members voting for a 50bps cut for contrary reasons. UK and US stock markets were spooked by fractionally higher CPI reports this month, with tariff fears showing in higher prices paid in the February ISM and rising US consumer inflation expectations which are feeding into moderating US services growth. A little cooling is just what the US economy needs right now – and both the UK and US bond markets ended the month with slightly lower ten-year yields; Bessant and Reeves will be relieved. We still expect UK inflation will surprise to the downside later this year given sub-trend money growth which will give the opportunity to cut interest rates faster than current market expectations.

Performance Since Launch (%)

Performance is not shown on this factsheet as the fund is less than 12 months old.

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ACD
Apex Fundrock Ltd

Investment Advisor
Chelverton Asset Management Limited

Administrator
Apex Fundrock Ltd

Income Paid	Biannually
XD Dates	30 June, 31 December
Valuation	12 Noon

Annual Management Fee (%)

B Shares	0.75

Minimum Investment

B Shares	£1,000

Ongoing Charge (%)

B Shares	1.02

*or any such lower amount agreed with the ACD

Dealing Line	0345 305 4217
Dealing Fax	0845 280 0188

MI Chelverton UK Opportunities Fund

Top 20 Holdings

Holding		Sector	% of Portfolio
1.	Barclays	Financials	5.9
2.	Standard Chartered	Financials	5.7
3.	Aviva	Financials	4.1
4.	Rio Tinto	Materials	3.9
5.	GSK	Healthcare	3.4
6.	BP	Energy	3.3
7.	Barratt Redrow	Consumer Discretionary	3.1
8.	Prudential	Financials	3.0
9.	Schroders	Financials	2.8
10.	Taylor Wimpey	Consumer Discretionary	2.7
11.	Whitbread	Consumer Discretionary	2.7
12.	Reckitt	Consumer Staples	2.7
13.	Rentokil Initial	Industrials	2.6
14.	Diageo	Consumer Staples	2.5
15.	easyJet	Industrials	2.4
16.	Hikma	Healthcare	2.2
17.	Man Group	Financials	2.1
18.	Telecom Plus	Utilities	1.9
19.	Antofagasta	Materials	1.9
20.	Spectris	Information Technology	1.9

Source: Chelverton Asset Management Limited

Sector Breakdown

Financials	27.8
Industrials	14.3
Consumer Discretionary	12.4
Healthcare	9.7
Materials	7.7
Information Technology	7.1
Communication Services	6.5
Consumer Staples	6.3
Energy	4.7
Utilities	1.9
Cash	1.6

Source: Chelverton Asset Management Limited

Market Cap Breakdown

	% of Portfolio	No. of Stocks
Above £3.5bn	58.4	20
£300m - £3.5bn	35.2	29
Below £300m	4.8	6
Cash and Income	1.6	N/A
Total	100.0	55

FURTHER INFORMATION

Please contact Spring Capital Partners,
in the first instance.

Tel +44 (0)20 3307 8086

Email chelverton@springcapitalpartners.com

Visit springcapitalpartners.com

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