

## Monthly Fact Sheet 31 August 2017

<b>Launch Date</b>	12 May 1999
<b>Gross Assets</b>	£ 57.30 m
<b>Net Assets</b>	£ 44.7 m*
<b>Bank Debt</b>	£ nil
<b>Dividend Yield</b>	3.88%**

	Zero Dividend Preference Shares	Ordinary Shares
<b>Share Price</b> (price per share)	136.25p	253.00p
<b>NAV</b> (price per share)	134.08p	258.02p*
<b>Premium/ (Discount) to NAV</b>	1.80%	(1.95)%
<b>Share Capital</b>	9,349,000***	17,350,000

\*includes unaudited revenue reserve to 31/08/2017

\*\*calculation includes last four dividends and special dividend

\*\*\*redeemed at 136.70p - 08/01/2018

## Fund Managers



### David Horner

qualified as a chartered accountant in 1984 with Deloitte before joining 3i Corporate Finance Limited in 1986. In May 1993 he joined Strand Partners Limited, and was appointed a director in January 1994, where he carried out a range of corporate finance assignments identifying, structuring

and managing investments in quoted and unquoted companies. In June 1997 he left to set up Chelverton Asset Management Limited and, in May 1999, he launched the Small Companies Dividend Trust, which he still co-manages. He has also co-managed the Chelverton UK Equity Income Fund since launch. In 2013 he resigned his membership of the Institute of Chartered Accountants in England and Wales, as his career is now fully involved in fund management.



**David Taylor** began his career as an analyst in the research department at Wedd Durlacher and moved into fund management in 1987 with the Merchant Navy Officers Pension Fund. He joined Gartmore Investment Limited in 1991, during this time, he ran a combination of institutional funds and investment trusts, namely the Clydesdale Investment Trust and London

& Strathclyde Trust. In 1995, he moved to LGT to manage small cap retail funds and latterly spent nearly seven years as head of UK smaller companies at HSBC Asset Management. He joined Chelverton Asset Management in January 2006 and has co-managed the Chelverton UK Equity Income Fund since launch.

# Chelverton Small Companies Dividend Trust PLC

## Investment Objective and Policy

The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth.

The Trust's funds will be invested principally in companies with a market capitalisation of up to £500 million; a maximum of 20 per cent of the Group's portfolio may be invested in companies without reference to their market capitalisation at the discretion of the Investment Manager. The Trust's portfolio will comprise companies listed on the Official List and companies admitted to trading on AIM. The Trust will not invest in preference shares, loan stock or notes, convertible securities or fixed interest securities or any similar securities convertible into shares. The Trust will not invest in other investment trusts or unquoted companies.

## Monthly Manager Commentary

UK small and mid caps continue to be caught between the generally good 'bottom up' news that we have seen throughout the recent results season and a rather confused 'top down' message that appears to have got slightly worse recently. We expect this uncertainty will continue to persist for the duration of the Brexit negotiations so the message coming back from UK plc will adopt even more importance than usual. We have said before that we believe the 'easy' money has been made on the currency trade in the aftermath of the Brexit vote and this remains the case. However the recent strength of both the US and particularly the Euro Zone economies compared to disappointing macro news at home has accentuated the difference in valuations between overseas earners and domestic earners. Whilst the positive share price momentum continues for the former, we are starting to see compelling medium term valuations in stocks exposed to the UK consumer. The number of stocks falling into our investible universe with a prospective dividend yield of at least four percent is growing almost daily. Interestingly a lot of the bearish commentary on the UK consumer is predicated on rising inflation where arguably we may already be past the worst point in the cycle. Against a background of strong employment numbers, a better balance between wage growth and inflation should prove to be a catalyst for a short term rerating of consumer cyclical.

We inevitably have a relatively high exposure to domestic earners and have added to Marston's, Go-Ahead and Epwin in the last month, whilst also making a new investment in BCA Marketplace. We top sliced some of the strong performers in Conviviality, McColl's, Games Workshop and Jarvis. In terms of performance, McColl's benefited from announcing a wholesale agreement with Morrisons, which surprised most analysts, and Strix, an IPO, performed well and we added to our original holding. Revolution Bars also performed strongly after a recommended offer from Stonegate, on the back of their announcement in July regarding a potential takeover. On the downside, Epwin fell after issues with a couple of their large clients and the price of Connect continued to drift. With little corporate newsflow in the short term, the largely bearish macro sentiment may lead to downward pressure on share prices but as cashflow remains the most tangible measure of corporate health, the recent strength of dividend growth gives us comfort with respect to the underlying valuations of our portfolio.

## Annual Returns % (GBP)

31/08/2017

	2017	2016	2015	2014	2013	2012	2011	2010
<b>Share Price</b> Ordinary Shares	20.98	13.81	29.36	-4.26	79.11	19.72	2.82	40.87
<b>Share Price</b> Morningstar Investment Trust UK Equity Income	20.41	5.02	24.80	4.82	56.76	38.34	-10.09	48.64
<b>NAV</b>	9.49	-2.25	23.05	-4.58	54.62	36.46	-13.94	38.86
<b>NAV</b> Morningstar Investment Trust UK Equity Income	8.65	7.41	16.06	-1.11	43.43	28.41	-10.65	35.37

Source: Chelverton Asset Management Limited and Morningstar

Past performance is not a guide to future results.

## Dividend History

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
	p	p	p	p	p	p
First interim	1.85	1.70	1.575	1.475	1.40	1.35
Second interim	1.85	1.70	1.575	1.475	1.40	1.35
Third interim	1.85	1.70	1.575	1.475	1.40	1.35
Fourth interim	2.40	2.40	2.40	2.40	2.40	2.35
<b>Subtotal</b>	<b>7.95</b>	<b>7.50</b>	<b>7.125</b>	<b>6.825</b>	<b>6.60</b>	<b>6.40</b>
Special dividend	1.86	1.60	0.300	2.750	N/A	N/A
<b>TOTAL</b>	<b>9.81</b>	<b>9.10</b>	<b>7.425</b>	<b>9.575</b>	<b>6.60</b>	<b>6.40</b>

Monthly Fact Sheet  
**31 August 2017**

**Directors**

**The Rt Hon. the Lord Lamont of Lerwick**  
Chairman

**David Harris**

**William van Heesewijk**

**Howard Myles**

**Calendar**

<b>Year End</b>	30 April
<b>AGM</b>	September
<b>Dividends (Declared)</b>	March, June, September, December

<b>Management Fee</b>	1% pa.
<b>Charge to Capital</b>	Management Fee and Bank Interest (75% to Capital: 25% to Revenue)

**Price Information**

	ZDP	ORDS
<b>Reuters</b>	SDVZ.L	SDV.L
<b>SEDOL</b>	88fj5797	0661582
<b>Market Makers</b>	Canacord, JP Morgan, N1+ Singer, Numis, Winterflood	

**Contact Us**

<b>T</b>	020 7222 8989
<b>E</b>	cam@chelvertonam.com
<b>A</b>	Chelverton Asset Management Limited 20 Ironmonger Lane London EC2V 8EP
<b>W</b>	www.chelvertonam.com

# Chelverton Small Companies Dividend Trust PLC

**Top Twenty Holdings**

Holding	Sector	% of portfolio
St Ives	Support Services	2.48%
Galliford Try	Construction & Building Materials	2.43%
Diversified Gas & Oil	Oil and Gas	2.34%
McColl's Retail Group	General Retailers	2.33%
Belvoir Lettings	Real Estate	2.20%
Acal	Electronic & Electrical Equipment	2.09%
Personal Group Holdings	Health	2.07%
Curtis Banks Group	Investment Companies	2.05%
Marston's	Leisure, Entertainment & Hotels	2.01%
Brown (N) Group	General Retailers	2.00%
Gattaca Common	Support Services	1.99%
Amino Technologies	Information Technology Hardware	1.96%
Jarvis Securities	Speciality & Other Finance	1.96%
Alumasc Group (The)	Construction & Building Materials	1.89%
Braemar Shipping Services	Support Services	1.83%
Connect Group	Industrials	1.77%
Numis Corporation	Insurance	1.72%
Mucklow (A&J) Group REIT	Investment Companies	1.69%
Moss Bros Group	Housing Goods & Textiles	1.61%
Strix Group NPV Placing	Diversified Industrials	1.59%
<b>Total</b>		<b>39.99%</b>

**Sector Breakdown**

Sector	% of portfolio
Financials	13.86
Support Services	12.97
Construction & Building Materials	9.76
General Retailers	8.71
Industrials	6.71
Leisure, Entertainment & Hotels	6.21
Insurance	5.56
Real Estate	4.57
Electronic & Electrical Equipment	4.42
Technology	4.35
Media & Photography	4.15
Housing Goods & Textiles	3.79
Oil & Gas	3.37
Food Producers & Processors	3.25
Health	2.07
Transport	1.53
Consumer Goods	1.30
Restaurant Pubs & Breweries	1.21
Packaging	1.15
Telecommunications Services	1.05
<b>Total</b>	<b>100.00</b>

**Market Cap Breakdown**

% of portfolio	% of portfolio	No of stocks
Above £1bn	6.66	5
£500m-£1bn	17.93	14
£250m-£500m	12.89	8
£100m-£250m	28.04	19
Below £100m	34.26	25
Cash and Income	0.21	0
<b>Total</b>	<b>100</b>	<b>70</b>

Source: Chelverton Asset Management Limited

**Risk Factors**  
The value of investments and the income from them may go down as well as up and you may not get back your original investment. Investment trusts can borrow money to make additional investments on top of shareholders funds (gearing). If the value of these investments fall in value, gearing will magnify the negative impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlement to the Company's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing the value of its shares may be subject to sudden and large falls in value and you could get back nothing at all. Some split capital shares have higher risk characteristics than conventional equities which can result in capital erosion. An investor could lose all of their capital. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Some of the annual management fee is currently charged to the capital of the Fund. Whilst this increases the yield, it will restrict the potential for capital growth. The level of yield may be subject to fluctuation and is not guaranteed. Net Asset Value ("NAV") performance is not the same as share price performance and investors may not realise returns the same as NAV performance.

**Risk Rating of Shares**

Zero Dividend Preference shares	Medium
Ordinary shares	High

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