

## CHELVERTON UK DIVIDEND TRUST - FAIR VALUE ASSESSMENT - 2024

The Manufacturer (Chelverton Asset Management Ltd) of Chelverton UK Dividend Trust ("Company") is required to provide an annual statement attesting that the costs of associated services provided to the Company represent fair value.

### Value Assessment

In order to assess if a product or service provides value, firms must consider at least the following:

- 1. the nature of the product or service, including the benefits that will be provided or may reasonably be expected and their qualities*

The Company is a closed-ended investment company whose ordinary shares are listed on the London Stock Exchange and an alternative investment fund under the Alternative Investment Fund Managers Directive ("AIFMD"). The Company's shares are available to the general public.

The Company's funds will be invested principally in companies with a market capitalisation of up to £500 million. The investment objective of the Company is to provide shareholders with a high income and opportunity for capital growth, having provided a capital return sufficient to repay the full final capital entitlement of the Zero Dividend Preference shares issued by the wholly owned subsidiary company.

The Company's investment policy is that:

- The Company will invest in equities in order to achieve its investment objectives, which are to provide both income and capital growth, predominantly through investment in mid and smaller capitalised UK companies admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange Main Market, traded on AIM or traded on other qualifying UK marketplaces.
- The Company will not invest in preference shares, loan stock or notes, convertible securities or fixed interest securities or any similar securities convertible into shares; nor will it invest in the securities of other investment trusts or in unquoted companies.
- There is no set limit on the Company's gearing.


The target investors are institutions and individual retail investors.

There is no fixed maturity date. There is no ability for the Company to terminate shareholdings of investors in the Company unilaterally or automatically.


The shares of the Company are bought and sold via markets. Typically, at any given time on any given day, the price you pay for a share will be higher than the price at which you could sell it.

### What are the risks and what could I get in return?

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.



The risk indicator assumes you keep the product for a minimum of 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to sell your product easily or you may have to sell at a price that significantly impacts on how much you get back.

 In accordance with legislation, we have classified this product as 6, which is a medium to high risk class. Please note that even the lowest risk class can lose you money and that extreme adverse market circumstances can mean you suffer severe losses in all cases.

The summary risk indicator only reflects historical share price volatility of the Company's shares.

Gearing, exposure to emerging markets, unlisted investments, foreign currencies, derivatives and the ability of the Trust to buy back its own shares may increase risk. This product does not include any protection from future market performance so you could lose some or all of your investment.

2. *any limitations that are part of the product or service, and*

There are no limitations as far as Chelverton Asset Management is concerned.

3. *the expected total price customers will pay, including all applicable fees and charges over the lifetime of the relationship between customers and firms.*

## What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000 each year. The figures are estimates and may change in the future.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment £10000.00			
Scenarios	If you cash in after 1 year	If you cash in after 3 years	If you cash in at 5 years
Total costs	£309.75	£943.54	£1599.19
Impact on return (RIY) per year	2.94%	2.94%	2.94%

What are the costs? (Continued)			
<b>One-off costs</b>	<b>Entry costs</b>	0.00%	The impact of the costs you pay when entering your investment.
	<b>Exit costs</b>	0.00%	The impact of the costs of exiting your investment when it matures.
<b>Ongoing costs</b>	<b>Portfolio transaction costs</b>	0.21%	The impact of the costs of us buying and selling underlying investments for the product.
	<b>Other ongoing costs</b>	2.73%	The impact of the costs that are incurred each year for managing your investments and running the Company.
<b>Incidental costs</b>	<b>Performance fees</b>	-	The impact of performance fees on your investment.
	<b>Carried interests</b>	-	The impact of carried interests on your investment.

The Board reviews costs on an ongoing basis, ensuring that shareholders receive comparable services and rates, classes of units, economies of scale, annual management charge, administration charges and other third-party costs. These are disclosed in the report and accounts, which can be viewed by consumers. The Board notes that the UK Dividend Trust has the highest ongoing charge ex performance fee for all UK Equity Income investment trusts. This is partly because the Company is a split-capital investment trust comprising Ordinary Shares and Zero Dividend Preference Shares and all costs are borne by the Ordinary Shares, as is usual with such a structure.

There is no performance fee payable on the product.

The high Ongoing Charge is to a certain extent a factor of the size of the trust, which is the second smallest in the sector. The manager also notes that value is not just a factor of price and that the investment strategy would be constrained if the fund were materially larger, and also notes that the trust yields more than all funds in the sector.

All data as of 06/09/2024 source - <https://www.theaic.co.uk/>, and documented below:

Company	AIC sector	Traded currency	Total assets (m)	Price (last close)	NAV	Discount/premium (%)	Gearing (%)	1yr	5yr	10yr	Ongoing charge ex perf fee	5yr dividend growth (%) p.a.
UK Equity Income	-	-	-	-	-	-5.46	7	13.96	36.5	81.72	0.57	3.19
Chelverton UK Dividend Trust	UK Equity Income	GBX	54.97	172	165.8	3.72	49	17.55	53.9	87.55	2.73	7.03
abrdn Equity Income Trust	UK Equity Income	GBX	180.22	317	330.2	-3.99	13	11.65	23	34.36	0.94	3.5
CT UK High Income Trust (B share)	UK Equity Income	GBX	126.46	86.5	97.73	-11.49	13	15.59	27.8	56.83	1.08	2.2
CT UK High Income Trust	UK Equity Income	GBX	126.46	90.5	97.75	-7.41	13	19.02	33.7	65.2	1.08	2.2
Shires Income	UK Equity Income	GBX	128.14	234	264.4	-11.49	15	9.76	19.4	63.4	1.1	1.76
JPMorgan Claverhouse	UK Equity Income	GBX	480.69	720	760.3	-5.3	7	15.9	30.4	84.45	0.7	4.64

Company	AIC sector	Traded currency	Total assets (m)	Price (last close)	NAV	Discount/premium (%)	Gearing (%)	1yr	5yr	10yr	Ongoing charge ex perf fee	5yr dividend growth (%) p.a.
Dunedin Income Growth	<b>UK Equity Income</b>	GBX	501.57	281	317.9	-11.62	9	10.55	30.3	66.24	0.64	2.01
Merchants Trust	<b>UK Equity Income</b>	GBX	976.67	587	592.3	-0.89	11	15.63	69	100.5	0.55	1.78
Lowland Investment Company	<b>UK Equity Income</b>	GBX	449.53	130.5	147.6	-11.58	12	23.66	35.9	46.44	0.64	2.97
City of London Investment Trust	<b>UK Equity Income</b>	GBX	2,298.48	436	439.7	-0.85	7	17.64	36.4	80.78	0.37	2.06
Diverse Income Trust	<b>UK Equity Income</b>	GBX	235.7	91.6	99.71	-8.13	0	18.95	30.9	65.51	1.14	3.09
Schroder Income Growth Fund	<b>UK Equity Income</b>	GBX	257.73	298	328	-9.15	13	17.49	37.2	71.99	0.77	3.18
Murray Income Trust	<b>UK Equity Income</b>	GBX	1,091.31	857	953.8	-10.15	8	10.43	27.4	74.12	0.5	2.52
Law Debenture Corporation	<b>UK Equity Income</b>	GBX	1,289.57	880	881.7	-0.19	9	14.08	89.6	139.1	0.49	11.11
Temple Bar Investment Trust	<b>UK Equity Income</b>	GBX	873.96	264	283.4	-6.85	7	20.33	36.6	57.92	0.56	0.54
CT UK Capital & Income	<b>UK Equity Income</b>	GBX	373.95	334	346.2	-3.53	7	24	31.4	84.85	0.66	2.1

Company	AIC sector	Traded currency	Total assets (m)	Price (last close)	NAV	Discount/premium (%)	Gearing (%)	1yr	5yr	10yr	Ongoing charge ex perf fee	5yr dividend growth (%) p.a.
Edinburgh Investment Trust	UK Equity Income	GBX	1,325.39	760	840	-9.52	3	21.79	71	88.71	0.53	-0.58
BlackRock Income & Growth	UK Equity Income	GBX	48.82	204	225.5	-9.55	7	17.35	26.2	69.1	1.28	1.41

In terms of the distribution chain, the Investment Trust is available on various platforms, which also have requirements under the Consumer Duty.

Please also note, that the UK government and the FCA announced a temporary exemption from the cost disclosure requirements for investment trusts on September 19, 2024.

The argument is that the requirements lead to "double counting" of costs, and that investment trusts' market values already reflect costs.

The FCA will not take enforcement action against investment trusts that do not comply with the PRIIPs regulation. Nonetheless, the requirement to assess value remains.

In addition, the Firm has asked the following questions:

- Are there elements of the pricing structure that could lead to foreseeable harm?

The costs are disclosed in the Key Investment Documents, and therefore should not lead to foreseeable harm. For Target Market Analysis and CAM's response to the Consumer Duty in general, please refer to CAM Compliance.

- Are there fees or charges or rates which appear unjustifiably or unreasonably high compared to the benefits of the product and other comparable products (either in the firm's product portfolio or comparable products supplied by other firms)?

Please see above. Costs are reviewed by the Board of the Investment Trust.

- Should/have any changes in the benefits of the product been reflected in the price?

Please see above. Costs are reviewed by the Board of the Investment Trust.

- Should/have any material changes to assumptions that underpinned pricing (for example on costs of servicing) been reflected in changes to the price?

Please see above. Costs are reviewed by the Board of the Investment Trust.

Note on Investment Performance

Chelverton UK Dividend Trust PLC aims to provide ordinary shareholders with a high income and the opportunity for capital growth, having provided a capital return sufficient to repay the full final capital entitlement of the Zero Dividend Preference shares issued by the wholly owned subsidiary company SDV ZDP 2025 PLC.

To achieve this the company invests in a diversified portfolio of UK listed equities, focussing on small and midcap equities. All portfolio holdings will have a prospective 12 month dividend yield of at least 4% at the time of investment. Small and midcap equities typically outperform large cap equities over the long term due to the higher level of underlying growth in smaller companies, however they can be more volatile over shorter time horizons.

The Zero Dividend Preference shares add an element of gearing to the Company, which may increase the volatility for ordinary shareholders. The Investment Trust structure allows the Company to build revenue reserves, from which future dividends can be paid. This gives the Company the ability to pay a more predictable dividend through periods of volatility. The nature of the investment universe typically means the Company has high exposure to the UK domestic economy. What could affect my return positively? Small and midcap equities typically outperform large cap equities in periods of rising markets. Chelverton UK Dividend Trust PLC typically has a high exposure to the UK domestic economy.

As such the Company is likely to benefit from periods of stability in the UK economy, where smaller companies are able to deliver on their higher underlying growth prospects. The gearing provided by the Zero Dividend Preference shares should provide ordinary shareholders with increased returns during periods of positive performance. The premium/discount to NAV may also tighten during periods of positive performance depending on the market appetite for the shares. The Investment Trust structure allows the Company to pay a consistent level of dividends through the cycle, offering some protection to ordinary shareholders during periods of weak/negative economic growth or “risk-off” equity markets.

*What could affect my return negatively?*

Small and midcap equities can be more volatile than large cap equities and often underperform in periods of falling markets. The gearing provided by the Zero Dividend Preference shares may increase the volatility, resulting in increased underperformance during periods of falling markets. In extremis the Zero Dividend Preference shares take priority over ordinary shares, with capital being returned to ordinary shareholders only once the preference shares have been repaid in full. During periods of falling markets it is possible that the ordinary shares could trade at a larger discount to NAV than average based on the demand level in the market at the time.

Annual Report – Investment Managers Commentary

Please refer to the Annual Report for the Investment Managers commentary on current market conditions



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