

Launch Date	12 May 1999
Gross Assets	£45.8m
Net Assets	£27.6m*
Bank Debt	£Nil
Core Dividend Yield	9.3%**
Yield including Special	9.3%***

INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Company is to provide Ordinary 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 SDV ZDP 2025 PLC.

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. The Company may retain investments in companies which cease to be listed after the initial investment was made, so long as the total is non-material in the context of the overall portfolio; however, the Company may not increase its exposure to such investments.

MONTHLY MANAGER COMMENTARY

Sentiment in equity markets continues to be driven by macro newsflow, with particularly strong September US non-farm payroll data contributing to US long bond yields, a key foundation for valuing assets across the world, moving to their highest levels in 15 years. This, combined with the outbreak of conflict in the Middle-East has further reduced investor appetite for risk assets, resulting in a difficult month for mid and smallcap equities. While UK equities remain out of favour and redemptions across the market continue to put pressure on valuations, there are an increasing number of data points which suggest the UK economy is proving to be more resilient than forecasters initially feared. For the first time in recent history, UK household balance sheets are in a net cash position, with savers benefitting from the higher interest rate environment. This, combined with a return to real wage growth gives some comfort that consumer spending can be maintained. Since Q2 2022, UK GDP data has consistently come in in-line or ahead of analyst expectations, with the recent Q3'23 data being no exception. The impact of the BoE's rapid interest rate hikes are still feeding their way into the economy, so we are not out of the woods yet, however any improvement in sentiment towards the UK and subsequent improvement in flows into UK equities would help lift valuations from their current lows.

At the portfolio level, the majority of company updates continue to be in-line. Castings released a positive trading update, with the underlying demand for heavy trucks remaining strong and input prices having stabilised. Gattaca released solid final results showing a strong net cash position and announcing a 2.5p special dividend, while both Smiths News and Spectra Systems announced positive customer wins which underpin current forecasts in the market. On the downside, Randall & Quilter announced the proposed sale of its Program Management business for a disappointing price and the MTI Wireless Edge share price was negatively impacted by the Middle-East conflict. Bid activity across the market remains high, usually a tell-tale sign that valuations are low. From a trading perspective we continue to top slice holdings where recent good performance means we can rotate into higher yielding opportunities. In the month we reduced our holding in T Clarke and added to our positions in Bellway and Stelrad.

ANNUAL RETURNS % GBP

31/10/2023

	2023*	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Share Price												
Ordinary Shares	-28.67	-9.35	35.61	-16.50	33.39	-32.16	27.59	13.81	29.36	-4.26	79.11	19.72
Share Price												
Morningstar Investment Trust UK Equity Income	-10.26	0.08	20.55	-7.84	22.53	-10.39	13.42	7.43	5.96	3.31	35.82	19.75
NAV												
Ordinary Shares	-30.43	-19.29	39.52	-15.97	25.31	-24.50	24.37	4.96	24.79	4.82	56.76	36.46
NAV												
Morningstar Investment Trust UK Equity Income	-10.68	3.92	23.17	-7.78	25.75	-5.81	11.15	8.39	8.60	3.66	30.61	17.30

Source: Chelverton Asset Management Limited and Morningstar

* Year to Date

Past performance is not a guide to future results

DIVIDEND HISTORY

	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
	P	P	P	P	P	P	P	P	P	P	P
First interim	3.150	2.943	2.750	2.500	2.400	2.190	2.020	1.850	1.700	1.575	1.475
Second interim		2.943	2.750	2.500	2.400	2.190	2.020	1.850	1.700	1.575	1.475
Third interim		2.943	2.750	2.500	2.400	2.190	2.020	1.850	1.700	1.575	1.475
Fourth interim		2.943	2.750	2.500	2.400	2.400	2.400	2.400	2.400	2.400	2.400
Subtotal	3.150	11.770	11.000	10.000	9.600	8.970	8.460	7.950	7.500	7.125	6.825
% increase	7.100	7.000	10.000	4.170	7.020	6.000	6.400	6.000	5.300	4.400	3.400
Special dividend	N/A	N/A	N/A	0.272	N/A	2.500	0.660	1.860	1.600	0.300	2.750
TOTAL	3.150	11.770	11.000	10.272	9.600	11.470	9.120	9.810	9.100	7.425	9.575

FUND MANAGERS



DAVID HORNER

David qualified as a chartered accountant in 1984 with Deloitte before joining 3i Corporate Finance Limited in 1986. In 1993 he joined Strand Partners Limited, and was appointed a director in 1994, where he carried out a range of corporate finance assignments identifying, structuring and managing investments in quoted and unquoted companies. In 1997 he left to set up Chelverton Asset Management Limited and, in 1999, he launched the Chelverton UK 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. He is Chairman of CEPS plc and Managing Director of Macaulay Capital plc.



OLIVER KNOTT

Oliver joined Chelverton Asset Management in January 2020. He has extensive experience in UK small and mid cap equities having joined Brewin Dolphin as a generalist salesman after graduating from the University of Essex with a 1st class honours degree in Politics, Philosophy and Economics. Prior to joining Chelverton, he worked as an equity analyst for N+1 Singer, in their highly respected technology research franchise. Oliver is a CFA Charterholder.

DIRECTORS

HOWARD MYLES
Chairman

ANDREW WATKINS
Non-Executive Director

DENISE HADGILL
Non-Executive Director

CALENDAR

Year End	30 April
AGM	September
Dividends (Declared)	March, June, September, December

Management Fee	1%
Ongoing Fee	2.03%*
Charge to Capital	Management Fee and Bank Interest (75% to Capital: 25% to Revenue)

* As at 30/04/22, calculated in accordance with AIC guidelines. Please see annual report for more details

PRICE INFORMATION

	ZDP	ORDS
Reuters	SDVP.L	SDV.L
SEDOL	BZ7MQD8	0661582
Market Makers	Canaccord Numis Shore Capital Winterflood	

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TOP TWENTY HOLDINGS

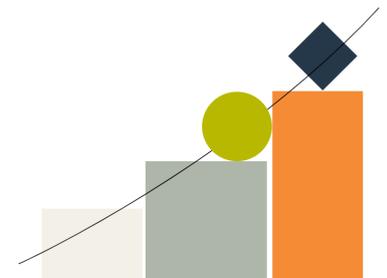
<i> Holding </i>	<i> Sector </i>	<i> % of Portfolio </i>
Belvoir Lettings	Real Estate	3.56%
Alumasc	Construction and Materials	2.51%
Smiths News	Industrial Goods and Services	2.49%
Ultimate Products	Consumer Products and Services	2.39%
Chesnara	Insurance	2.23%
Diversified Energy	Energy	2.07%
MP Evans	Food, Beverage and Tobacco	2.05%
ME Group International	Consumer Products and Services	2.01%
Coral Products	Industrial Goods and Services	2.01%
Duke Royalty	Financial Services	1.91%
Redde Northgate	Industrial Goods and Services	1.85%
Ramsdens Holdings	Financial Services	1.85%
Hargreaves Services	Industrial Goods and Services	1.84%
Castings	Industrial Goods and Services	1.82%
Severfield	Construction and Materials	1.70%
Conduit	Insurance	1.69%
Somero	Industrial Goods and Services	1.69%
RTC Group	Industrial Goods and Services	1.63%
Spectra Systems	Industrial Goods and Services	1.63%
Fonix	Industrial Goods and Services	1.62%
Total		40.54%
Income from Top 10 Holdings		28.00%

SECTOR BREAKDOWN %

<i> Sector % </i>	<i> % of Portfolio </i>
Industrial Goods and Services	22.7%
Financial Services	15.2%
Construction and Materials	13.9%
Consumer Products and Services	9.6%
Insurance	7.9%
Real Estate	6.8%
Retail	5.5%
Food, Beverage and Tobacco	4.8%
Banks	2.7%
Media	2.5%
Energy	2.1%
Telecommunications	1.6%
Basic Resources	1.4%
Personal Care, Drug and Grocery	1.2%
Health Care	1.2%
Travel and Leisure	0.8%

MARKET CAP BREAKDOWN

	<i> % of portfolio </i>	<i> No of stocks </i>
Above £1bn	5.10%	4
£500m - £1bn	13.64%	9
£250m - £500m	16.86%	14
£100m - £250m	25.61%	18
Below £100m	38.79%	35
Cash and Income	0.00%	0
Total	100.00%	80



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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