

<b>Launch Date</b>	12 May 1999
<b>Gross Assets</b>	£51.0m
<b>Net Assets</b>	£32.6m*
<b>Bank Debt</b>	£Nil
<b>Core Dividend Yield</b>	8.0%**
<b>Yield including Special</b>	8.0%***

## 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

As the Fed continued to hold interest rates the rhetoric appeared more dovish and markets briefly rallied on expectations of rate cuts earlier than had previously been expected. The Bank of England also held rates for the third month in a row but the associated commentary was more cautious than that in the US. This was despite the fact that having been perceived for many months as an outlier with respect to inflation, largely due to energy prices, it now looks as though the UK economy is reverting back to the pack with respect to inflation expectations. An increasing number of market commentators now expect a widespread easing of monetary policy in 2024, with the US leading the way and the UK to follow albeit there is still no consensus over the timing of UK rate cuts. In this context it is interesting to note the recent cut in UK mortgage rates by a good number of our domestic lenders. The stocks that we invest in are largely in good health as evidenced by the number of stocks buying shares back and balance sheet strength but the absence of an obvious catalyst to perform remains an issue.

The December rally in Small and Midcap equities was broad-based and within our portfolio we had 35 stocks that were up 10% or more in the month, with 14 of these up 20% or more. Cyclical stocks enjoyed a good month, with Somero, Stelrad, Genuit, Tyman and Alumasc all performing strongly, despite releasing no notable newsflow. Spectra Systems was strong on the back of the acquisition of an existing supplier, which is expected to be immediately earnings enhancing and OSB Group rallied after peer Paragon released encouraging Final Results. Diversified Energy underperformed as it dual listed in the US as well as here while Hargreaves Services was weak on the news that its German JV will record lower profits than expected. Importantly however, Hargreaves increased its dividend expectations at the same time and we took advantage of the share price weakness to add to our position.

## ANNUAL RETURNS % GBP

31/12/2023

	2023*	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Share Price</b>												
Ordinary Shares	-14.28	-9.35	35.61	-16.50	33.39	-32.16	27.59	13.81	29.36	-4.26	79.11	19.72
<b>Share Price</b>												
Morningstar Investment Trust UK Equity Income	-1.96	0.08	20.55	-7.84	22.53	-10.39	13.42	7.43	5.96	3.31	35.82	19.75
<b>NAV</b>												
Ordinary Shares	-18.19	-19.29	39.52	-15.97	25.31	-24.50	24.37	4.96	24.79	4.82	56.76	36.46
<b>NAV</b>												
Morningstar Investment Trust UK Equity Income	-0.50	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  
Past performance is not a guide to future results

\* Year to Date

## 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	3.150	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
<b>Subtotal</b>	<b>6.300</b>	<b>11.770</b>	<b>11.000</b>	<b>10.000</b>	<b>9.600</b>	<b>8.970</b>	<b>8.460</b>	<b>7.950</b>	<b>7.500</b>	<b>7.125</b>	<b>6.825</b>
% 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
<b>TOTAL</b>	<b>6.300</b>	<b>11.770</b>	<b>11.000</b>	<b>10.272</b>	<b>9.600</b>	<b>11.470</b>	<b>9.120</b>	<b>9.810</b>	<b>9.100</b>	<b>7.425</b>	<b>9.575</b>

## 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 1<sup>st</sup> 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**  
Non-Executive Chairman

**ANDREW WATKINS**  
Non-Executive Director

**DENISE HADGILL**  
Non-Executive Director

### CALENDAR

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

<b>Management Fee</b>	1%
<b>Ongoing Fee</b>	2.03%*
<b>Charge to Capital</b>	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
<b>Reuters</b>	SDVP.L	SDV.L
<b>SEDOL</b>	BZ7MQD8	0661582
<b>Market Makers</b>	Canaccord Numis Shore Capital Winterflood	

### CONTACT US

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### TOP TWENTY HOLDINGS

Holding	Sector	% of Portfolio
Belvoir Lettings	Real Estate	3.54%
Alumasc	Construction and Materials	2.78%
Ultimate Products	Consumer Products and Services	2.63%
Smiths News	Industrial Goods and Services	2.54%
Somero	Industrial Goods and Services	2.20%
Chesnara	Insurance	2.07%
OSB	Financial Services	2.07%
Coral Products	Industrial Goods and Services	2.01%
Tyman	Construction and Materials	1.86%
MP Evans	Food, Beverage and Tobacco	1.83%
Hargreaves Services	Industrial Goods and Services	1.83%
Spectra Systems	Industrial Goods and Services	1.81%
Duke Royalty	Financial Services	1.80%
Redde Northgate	Industrial Goods and Services	1.80%
Ramsdens Holdings	Financial Services	1.78%
Stelrad	Construction and Materials	1.75%
Fonix	Industrial Goods and Services	1.70%
Conduit	Insurance	1.63%
RTC Group	Industrial Goods and Services	1.61%
ME Group International	Consumer Products and Services	1.61%
<b>Total</b>		<b>40.86%</b>
<b>Income from Top 10 Holdings</b>		<b>25.00%</b>

### SECTOR BREAKDOWN %

Sector %	% of Portfolio
Industrial Goods and Services	23.2%
Construction and Materials	15.5%
Financial Services	15.2%
Consumer Products and Services	10.9%
Insurance	7.4%
Real Estate	5.9%
Retail	5.2%
Food, Beverage and Tobacco	4.7%
Banks	2.5%
Media	1.6%
Energy	1.5%
Telecommunications	1.5%
Basic Resources	1.5%
Health Care	1.3%
Personal Care, Drug and Grocery	1.1%
Travel and Leisure	0.9%

### MARKET CAP BREAKDOWN

% of portfolio	No of stocks
Above £1bn	5
£500m - £1bn	9
£250m - £500m	14
£100m - £250m	21
Below £100m	29
Cash and Income	0
<b>Total</b>	<b>80</b>

### 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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