SHINING A LIGHT ON THE……
Chelverton UK Dividend Trust

AT A GLANCE

Investment Objective
To provide income and capital growth, predominantly through investments in UK listed small to mid-cap companies. The Company will not invest in preference shares, loan stock or convertibles; nor will it invest in other trusts or unquoted companies.

Inception Date	12 May 1999
Fund Factsheet Link	https://www.morningstar.com/cefs/XLON/SDV/quote.html

Management	
Manager Name	**Start Date**
David Horner	12 May 1999

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	0.00%
Large	0.00%
Medium	12.70%
Small	31.09%
Micro	65.68%

Top 10 Holdings		
Total number of holdings	68	
Assets in Top 10 Holdings	21.97%	
Name	**Sector**	**% of Assets**
Diversified Gas & Oil PLC	Energy	2.76%
McColl's Retail Group PLC	Consumer Cyclical	2.37%
Jarvis Securities PLC	Financial Services	2.32%
StatPro Group PLC	Technology	2.26%
Acal	-	2.10%
Belvoir Lettings PLC	Industrials	2.09%
Alumasc Group PLC	Basic Materials	2.04%
Gattaca PLC	Industrials	2.02%
Galliford Try PLC	Consumer Cyclical	2.02%
Personal Group Holdings PLC	Financial Services	2.01%

Volatility Measurements	
3-Yr Std Dev (volatility)	13.99%
3-Yr Mean Return (average)	8.46%

FUND PERFORMANCE

Performance from 1st January 2013 to 31st August 2018:

	2013	2014	2015	2016	2017	2018
Chelverton UK Dividend Trust	79.11%	-4.26%	29.36%	13.81%	27.59%	-13.73%
Lyxor FTSE All Share ETF	20.16%	0.93%	1.08%	15.44%	11.64%	2.24%
iShares UK Dividend ETF	24.15%	6.54%	0.95%	7.89%	6.96%	-0.76%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
SLI UK Equity Recovery Fund	-9.01%	32.21%	81.12%	753.69%
Lyxor FTSE All Share ETF	5.29%	34.28%	43.80%	-
iShares UK Dividend ETF	1.72%	11.11%	32.02%	-

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE….

The trust has been running for nearly 20 years and is foremost an income trust. It is currently paying an income of 4.94% but this is not guaranteed. The aim is to grow this yield by 6% per annum. Where the trust differs from other income funds is that it focuses only on small and mid-cap stocks. They have a hard rule that if a company enters the FTSE 100 they will sell. However, if the dividend is due on that stock they will hold until the dividend is paid.

Every stock in the portfolio must contribute to the yield. This is set at a minimum of 4%. There are three baskets of stocks and he looks at those with yields of 6% plus, those with yields of between 4.5% and 5% yields, and then those that pop into the 4% category. The last group tend to be deep value stocks where they have fallen for some reason and then suddenly re-rate, at which point the yield comes down and they sell the stock.

The fund tends to be lumpy in terms of performance. It could have several good years and then poor periods. This year the trust has struggled but David explained there are good stocks in the portfolio; Essentra has had good results but the shares have dropped 20%, Kier has seen shares fall as investors assume it has the same problems as Carillion, which is not the case.

They have added Diversified Gas and Oil which is a logistics business owning thousands of small wells in the US, and Anglo African Gas / Oil is another new holding. GVC is a company they like but are due to sell as the company has gone into the FTSE 100. They are also selling Hilton Foods as the dividend has dropped below 2%.

The fund is fully invested with around 26 stocks in AIM listed companies. They will not go above 5% holding for a stock and will reduce if this happens. The reality is that holdings will be lower than this as they don't like to hold more than 20% in the top ten holdings. The holdings are also spread across 29 sectors.

Liquidity can also be a problem especially with smaller companies. In terms of risks the number of holdings and maximum holding size tends to mitigate individual stock risk. The biggest risks that they see are Chinese debt, Italian debt, Trump, terror attacks and then Brexit. They don't see Corbyn as a worry for the fund as they don't think an election will happen for another 4 years, and the reality is that when it happens parties tend to move to the centre ground. A deep recession would cause problems for the fund.

In summary, the fund will deliver a strong yield and aims to provide capital upside. The returns are lumpy, so it will be more volatile than many UK dividend funds. However, for those looking for income and happy to hold then this fund has the potential to deliver both growth and income over a long period of time. But investors need to be aware it does carry greater risk.

The source of information in this note has been provided by Chelverton and is correct as at September 2018. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.