

Monthly Fact Sheet 31 May 2015

Launch Date	12 May 1999
Net Assets	£34.7m*
Bank Debt	£ nil m
Dividend Yield	4.07%**

	Zero Dividend Preference Shares	Ordinary Shares
Share Price (price per share)	125.25p	175.00p
NAV (price per share)	117.42p	209.66p
Share Capital	8,500,000***	16,550,000

* includes unaudited revenue reserve to 31.05.15

**calculation excludes special dividend

***redeemed at 136.70p - 08.01.2018

Fund Managers



David Horner

qualified as a chartered accountant in 1984 with Touche Ross & Co before joining 3i Corporate Finance Limited in 1986 where he was a manager giving corporate finance advice. 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.



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.

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

The strong relative performance of the fund in the last month was a reflection of our small and mid-cap mandate as, understandably, stocks with a strong domestic bias reacted positively to the result of the General Election. The fact that the UK centric companies that we invest in are now operating within the most 'business friendly' environment of all possible election outcomes is reassuring for investors as is the perceived continuity in macro policies. The issue for UK small and mid cap valuations now however is whether or not this was essentially just a short term 'relief' bounce in prices as a major uncertainty has been removed or the start of a more sustainable trend. The macro ingredients do appear to be in place for the latter and the bottom up evidence from the corporate world is one of steady if unspectacular improvement, although it should be noted that this was also largely the case before the election. The difference now is that investors are less nervous and are prepared therefore to afford relatively higher ratings to the earnings of stocks within our universe. This should continue as long as we see a commensurate pick up in underlying profitability. We do however appreciate that this recent improvement in investor confidence will remain fragile until there is tangible evidence of corporate earnings growth.

Unsurprisingly a number of our housing related stocks performed well including Epwin and Marshalls which are geared to housing repair, maintenance and improvement spend. Majestic Wine continued to be rerated as investors digested the implications of the Naked Wines acquisition and we took the opportunity to top slice into the share price strength. On the downside Brewin Dolphin fell after results. We added to our holdings in a broad range of stocks including, Kcomm, NWF and Mucklow and we took up our rights in Kier. We bought Curtis Banks at IPO, a leading provider of SIPP and SASS schemes with over £7bn under management. We sold Ladbrokes and reduced our exposure to the insurance sector by top slicing Novae and we reduced our holding in Menzies. As a point of interest we believe that the new found domestic political and macro stability should lead to a pick up in corporate activity as confidence improves around the board table and the economy continues to grow.

Annual Returns % (GBP)

31/05/2015

	2015	2014	2013	2012	2011	2010
Share Price Ordinary Shares	10.74	-4.26	79.11	19.72	2.82	40.87
NAV	16.03	4.82	56.74	38.36	-10.04	48.63

Source: Chelverton Asset Management Limited and Morningstar.

Past performance is not a guide to future results.



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Directors

The Rt Hon. the Lord Lamont of Lerwick
Chairman

David Harris

William van Heesewijk

Howard Myles

Calendar

Year End	30 April
AGM	September
Dividends	July, October, January, April

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

Price Information

	ZDP	ORDS
Reuters	SDVZ.L	SDV.L
SEDOL	88fj5797	0661582
Market Makers	Canacord, Finncap, JP Morgan, Numis, Winterflood	

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Top Twenty Holdings

Holding	Sector	% of portfolio
Acal	Industrials	2.71%
T. Clarke	Construction	2.66%
Connect Group	Support Services	2.44%
Dairy Crest Group	Consumer	2.35%
Braemar Shipping Services	Support Services	2.29%
Avesco Group	Media	2.25%
The Alumasc Group	Industrials	2.23%
Kcom Group	Telecommunications	2.21%
Wilmington	Media	2.12%
GVC Holdings	Technology	2.11%
Marston's	Consumer	2.11%
Epwin Group	Construction	2.10%
Intermediate Capital Group	Financials	2.06%
Town Centre Securities	Property	2.04%
Moss Bros Group	Consumer	1.96%
DX Group	Support Services	1.84%
Stadium Group	Industrials	1.80%
Macfarlane Group	Industrials	1.73%
Personal Group Holdings	Financials	1.65%
St. Ives	Support Services	1.65%
Total		42.30

Sector Breakdown

Sector	% of portfolio
Financials	21.44%
Support Services	16.77%
Consumer	13.94%
Industrials	12.82%
Construction	11.14%
Technology	7.49%
Media	6.91%
Property	4.85%
Healthcare	1.17%
Telecommunications	2.21%
Utility	1.25%
Total	100.00

Market Cap Breakdown

	% of portfolio	No of stocks
> £500m	19.33%	14
£250m - 500m	19.42%	14
£100m - £250m	31.53%	22
£50m - £100m	12.54%	9
£0m - £50m	17.17%	16
Total	100.00	75

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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