

Investment Objective

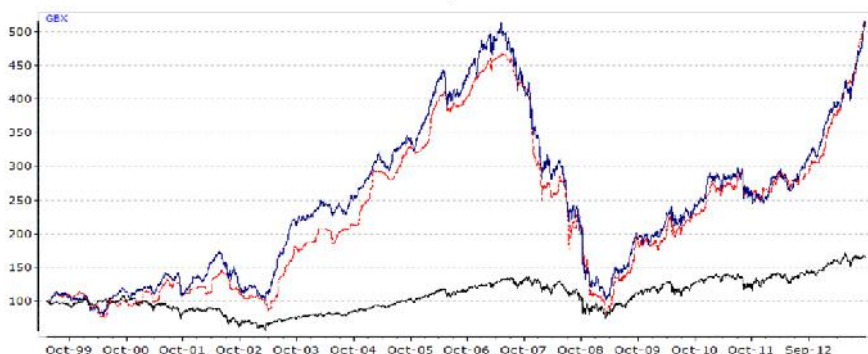
The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth.

Investment Policy

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.

FUND FACTS			ASSET ALLOCATION	
				%
Gross Assets:	£38.96m	(includes unaudited revenue reserve to 31.12.13)	Support Services	24.30
NAV:	108.15p 183.20p	per Zero Dividend Preference share per Ordinary share	Insurance	13.04
Share Price:	114.50p 176.00p	per Zero Dividend Preference share per Ordinary share	Construction & Materials	11.76
Bank Debt:	£ nil m		Media	7.00
Share Capital:	8,500,000 16,250,000	Zero Dividend Pref shares (8 January 2018) Ordinary shares	Speciality Finance & other financials	6.52
Management fee:	1% pa.	Plus performance fee	Transport	5.40
Charge to Capital:	Management fee and bank interest (75% to Capital : 25% to Revenue)		Travel & Leisure	4.70
Launch date:	12 May 1999		Retailers	3.13
Dividends:	June, September, December and March		Financials	2.79
Yield:	4.1% approx.		Food & Beverages	2.72
Year end:	30 April		Packing	2.67
AGM:	September		Engineering	2.50
Fund Managers:	David Horner and Dave Taylor		Asset Management	2.46
Directors:	Lord Lamont (Chairman), David Harris, William van Heeswijk and Howard Myles		Electronic & Electrical Eqt	2.44
			Telecommunications	1.83
			Household Goods	1.76
			Technology Software	1.72
			General Industrials	1.15
			Computer Services	1.15
			Utilities	0.97
			Total	100.00

Small Companies Dividend Trust



Source: Morningstar

Small Companies Dividend Price TR Small Companies Dividend NAV TR MSCI UNITED KINGDOM TR

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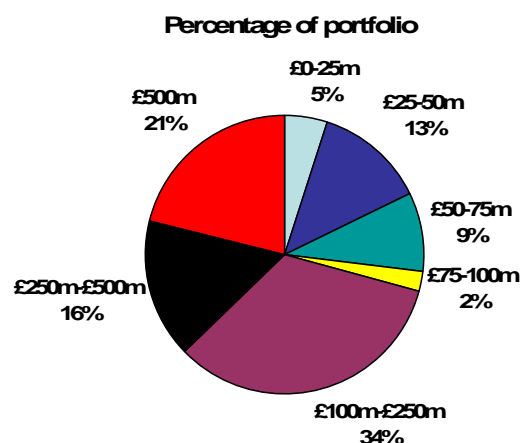
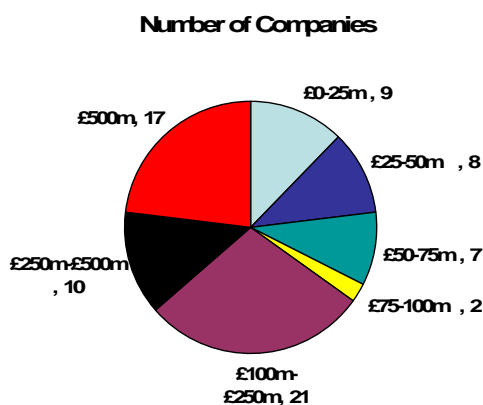
Chelverton
ASSET MANAGEMENT LTD

Fund Manager's comments as at 31.12.13

Looking back over the past twelve months the recovery in equity markets really started as a reaction to perceived overvaluations in other asset classes and a growing confidence amongst commentators that we were over the worst as far as the domestic economy was concerned. In particular investors were attracted to a combination of 'quality' earnings on one hand and to cash flow and dividend yield on the other. As estimates for UK GDP Growth continued to grow there was a positive size bias towards the performance of small and mid cap stocks who are relatively more dependent on the UK economy than their larger counterparts. Our fund has had the benefit of the outperformance of small and mid caps combined with the continued attraction of Companies with good dividend yields. Once again dividend growth has been strong but it is fair to say that, in aggregate, earnings growth has disappointed and in the last month the number of downward earnings revisions still outnumbered the upgrades.

A number of domestic sectors such as house builders and motor retailers have seen consistent underlying earnings upgrades over the past six months.. As we look forward however we need to see this positive earnings momentum spread far wider than just a couple of 'hot' spots for share prices to continue their progress. We remain optimistic that we will see upgrades but remain of the opinion that they may not happen until later in the year. In the meantime the good macro news, benign interest rate environment and the anticipated positive fund flows into equities should underpin current valuations. We continue to focus on dividends and the prospects for dividend growth and we believe we can maintain an appropriate balance between capital gain and income for our investors in a market that we expect to continue to rise.

Portfolio breakdown by market capitalisation



Small Companies Dividend Trust PLC is registered in England

Company No: 3749536

Price Information:

[ZDP](#)

[ORDS](#)

Reuters: SDVZ.L (ZDP's) SDV.L (Ords);

SEDOL: 88fj5797 0661582

Market makers: JP Morgan, Canacord, Numis and Winterflood

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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

The information contained in this document has been obtained from sources that Chelverton Asset Management Limited ("CAM") considers to be reliable. However, CAM cannot guarantee the accuracy or completeness of the information provided, and therefore no investment decision should be based solely on this data.

This document is issued by CAM, authorised and regulated by the Financial Conduct Authority (FCA). This document does not represent a recommendation by CAM to purchase shares in this Trust. We recommend private investors seek the services of a Financial Adviser.

Largest holdings as at 31.12.13

	%	
1	Photo-Me Int	2.64
2	Randall & Quilter	2.60
3	Avesco Group	2.50
4	Jarvis Securities	2.40
5	St Ives	2.36
6	Braemar Seascope	2.31
7	Chesnara	2.28
8	Marshalls	2.27
9	Wilmington Group	2.25
10	Smith News	2.19
11	Alumasc Group	2.13
12	Clarke (T)	2.09
13	ISG	2.07
14	Morgan Sindall	2.06
15	Macfarlane Group	2.01
16	Hansard Global	1.97
17	Cineworld Group	1.93
18	Personal Group	1.89
19	Dairy Crest	1.89
20	Kier	1.89

Top 20 total percentage	43.74
Other 53 holdings	56.26
Total	100.0

HISTORIC RECORD OF EARNINGS AND DIVIDENDS

