

## Investment Objective

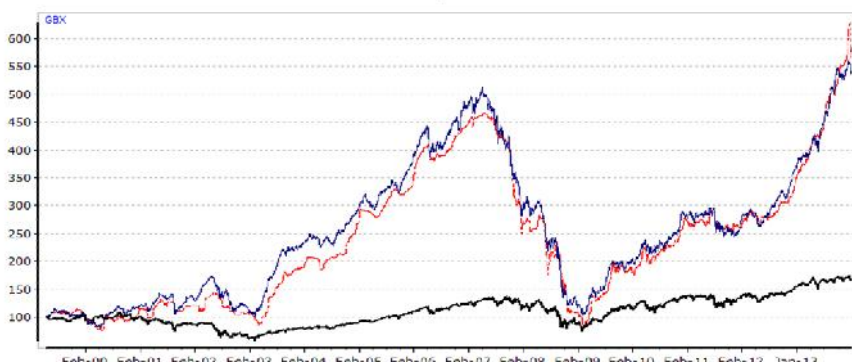
The investment objective of the Company is to provide Ordinary shareholders with a high income and opportunity for capital growth.

## 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:	£40.97m	(includes unaudited revenue reserve to 31.1.14)	Support Services	21.83
NAV:	108.68p 187.56p	per Zero Dividend Preference share per Ordinary share	Construction & Materials	11.84
Share Price:	116.00p 177.00p	per Zero Dividend Preference share per Ordinary share	Insurance	11.39
Bank Debt:	£ nil m		Media	6.58
Share Capital:	8,500,000 16,550,000	Zero Dividend Pref shares (136.70p - 8/1/2018) Ordinary shares	Speciality Finance & other financials	5.95
Management fee:	1% pa.		Travel & Leisure	5.07
Charge to Capital:	Management fee and bank interest (75% to Capital : 25% to Revenue)		Transport	5.03
Launch date:	12 May 1999		Food & Beverages	3.91
Dividends:	June, September, December and March		Property	3.50
Yield:	4.1% approx.		Asset Management	3.39
Year end:	30 April		Financials	3.14
AGM:	September		Electronic & Electrical Eq	2.72
Fund Managers:	David Horner and Dave Taylor		Technology Software	2.53
Directors:	Lord Lamont (Chairman), David Harris, William van Heeswijk and Howard Myles		Packing	2.46
			Engineering	2.42
			Retailers	2.35
			Telecommunications	2.24
			Household Goods	1.83
			Utilities	0.94
			Computer Services	0.86
			<b>Total</b>	<b>100.00</b>

Small Companies Dividend Trust



Sources: Morningstar

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

PRICEWATERHOUSECOOPERS

MONEY  
OBSERVER  
INVESTMENT  
AWARDS  
★  
★  
2004

winner  
Investment  
Trust of the Year  
awards  
2013  
THE ASSOCIATION OF  
INVESTMENT TRUST COMPANIES

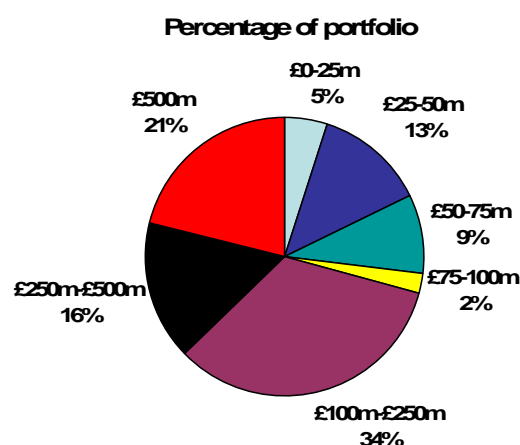
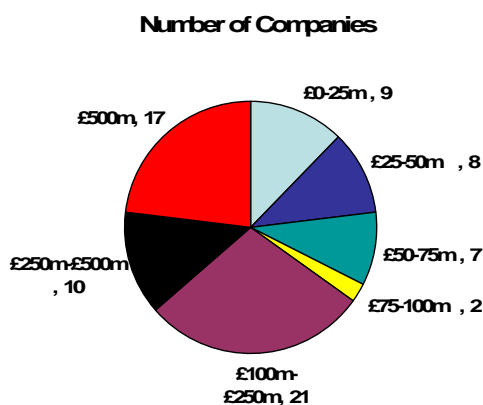
winner  
Investment  
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awards  
2012  
THE ASSOCIATION OF  
INVESTMENT TRUST COMPANIES

## Fund Manager's comments as at 31.1.14

After a strong start to the New Year share prices ran into a headwind in the latter part of the month caused by worries over growth rates in emerging markets which was felt most acutely in currency markets. Our fund delivered a small positive return in NAV which, once again, can largely be attributed to our focus on UK small and mid cap companies who continue to benefit from the increasingly strong momentum in the domestic economy. After a busy month for trading updates the overall message from the corporate sector is that whilst confidence is improving there is little tangible evidence yet of the anticipated pick up in earnings, especially as there have been a number of currency driven downgrades to estimates. We still believe that consensus numbers will begin to be revised upwards but that investors may have to wait until the second half of the year before it happens on a widespread basis. In the meantime short term valuations will remain vulnerable to disappointing macro news.

Pleasingly there were a number of stocks in our portfolio that delivered double digit returns last month including Wilmington, and Go-Ahead the transport business. Greggs bounced strongly after a good trading update, Numis the stock broker continued to perform well as corporate activity, including IPO's in the London market look set to continue to be strong and ISG reacted well to contract wins. On the downside Games Workshop fell as news of the short term dividend prospects disappointed and Hansard Global issued a trading update that led to a share price fall. We completed the sale of Firstgroup and received the monies for our holding in Abbey Protection. We bought a holding in Amlin, a Lloyds insurance business on a five and a half percent yield and Amino Technologies, an IPTV business on a four and a half percent yield and added to a number of existing holdings including Tritax, Wm Sinclair and Kcom.

## 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

### HOW TO CONTACT US

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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 31.1.14		%
1	Wilmington Group	2.82
2	Jarvis Securities	2.35
3	Randall & Quilter	2.24
4	KCOM Group	2.24
5	Photo-Me Int	2.23
6	Marshalls	2.22
7	St Ives	2.17
8	Personal Group	2.17
9	Alumasc Group	2.14
10	Braemar Seascope	2.09
11	Smith News	2.08
12	Clarke (T)	2.07
13	S&U	2.03
14	Morgan Sindall	2.01
15	Kier	1.89
16	Numis	1.88
17	Tritax	1.84
18	Portmeiron Group	1.82
19	Avesco Group	1.79
20	Cineworld Group	1.78
<b>Top 20 total percentage</b>		<b>41.86</b>
<b>Other 55 holdings</b>		<b>58.14</b>
<b>Total</b>		<b>100.0</b>

## HISTORIC RECORD OF EARNINGS AND DIVIDENDS

