

## Monthly Fact Sheet 31 July 2014

<b>Launch Date</b>	12 May 1999
<b>Net Assets</b>	£30.00m*
<b>Bank Debt</b>	£ nil m
<b>Yield</b>	4.1% approx.

	Zero Dividend Preference Shares	Ordinary Shares
<b>Share Price</b> (price per share)	120.00p	175.50p
<b>NAV</b> (price per share)	111.87p	181.30p
<b>Share Capital</b>	8,500,000**	16,550,000

\* includes unaudited revenue reserve to 31.07.14

\*\* 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 October 1997 he left to set up Chelverton Asset Management Limited and, in May 1999, he setup 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

Whilst the macro data remains volatile, particularly with respect to domestic manufacturing, the UK economy did finally exceed the the peak level of output that was seen in the first quarter of 2008. The strength of sterling versus the US dollar continues to present a major headwind for aggregate earnings growth but this does mean that the earnings of small and mid caps with their relatively high domestic exposure have proved to be resilient. However in the absence of a catalyst for growth there appears to have been a move into large caps, which outperformed in the month. as risk premiums rose in response to a worsening geopolitical environment. We believe that we are well placed to benefit from an appreciation in capital values as corporate earnings finally begin to grow but this will probably not be until the last quarter of the year. In the meantime prices will remain volatile.

At the stock level, Connect fell as a result of a disappointing performance in its book division and both Electrocomponents and Premier Farnell were hit over fears with respect to both US and European growth rates. We took up our rights in Acal, topped up our position in Mucklow and added an IPO Epwin, a specialist provider of low maintenance building products, to the portfolio on an annualised yield of over six percent. We raised funds by reducing our exposure to the financial sector with the sale of part of our holdings in S&U, Personal Group and Jarvis and sold some Trifast and Portmeirion. Unsurprisingly after the recent derating of small and mid caps there are an increasing number of opportunities that fulfil our strict investment criteria.

## Cumulative Performance (%)

	1 m	3 m	6m	1 yr	3 yrs	5 yrs
<b>Share Price</b> Ordinary Shares	-4.49	-4.05	2.76	34.22	26.88	32.7
<b>NAV</b>	1.5	-0.55	1.9	24.25	23.55	28.96
<b>MSCI UK SMC</b>	-1.59	-2.85	-2.41	6.67	14.34	18.23

## Discrete Performance (%)

	31.03.13 31.03.14	31.03.12 31.03.13	31.03.11 31.03.12	31.03.10 31.03.11	31.03.09 31.03.10
<b>Share Price</b> Ordinary Shares	34.22	56.82	-2.89	33.35	51.13
<b>NAV</b>	24.25	57.45	-3.54	25.93	50.19
<b>MSCI UK SMC</b>	6.67	40.8	-0.43	20.33	28.44

Share price total return is on a mid-to-mid basis.

Source: Chelverton Asset Managers Limited, Lipper 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 Heeswijk**

**Howard Myles**

### Calendar

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

<b>Management Fee</b>	1% pa.
<b>Charge to Capital</b>	Management Fee and Bank Interest (75% to Capital; 25% to Revenue)

### Price Information

	ZDP	ORDS
<b>Reuters</b>	SDVZ.L (ZDP'S)	SDV.L (Ords)
<b>SEDOL</b>	88fj5797	0661582

<b>Market Makers</b>	Canacord, Finncap, JP Morgan, Numis, Winterflood
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### Asset Allocation

Sector	% of portfolio
Support Services	20.86
Construction & Materials	10.84
Insurance	10.77
Speciality & other Financials	6.07
Travel & Leisure	5.99
Media	5.85
Property	4.54
Transport	4.54
Retailers	4.03
Food & Beverages	3.57
Asset Management	3.30
Electronic	3.03
Technology Software	2.86
Financials	2.64
Engineering	2.63
Telecommunications	2.56
Packing	1.87
Utilities	1.05
Household Goods	1.04
Computer Services	0.69
General Industrials	0.69
Healthcare	0.59
<b>Total</b>	<b>100.00</b>

### Top 20 Holdings

Holding	% of portfolio
1 Braemar Shipping	2.86
2 KCOM Group	2.55
3 Jarvis Securities	2.25
4 GVC Holdings	2.21
5 Acal	2.20
6 Stadium Group	2.11
7 Marshalls	2.04
8 St Ives	2.03
9 Marstons	2.01
10 Clarke (T)	1.99
11 Randall & Quilter	1.98
12 Connect Group	1.96
13 Personal Group	1.90
14 MacFarlane Group	1.86
15 Tritax Big Box	1.85
16 Town Centre Securities	1.84
17 Photo-Me Int'l	1.83
18 ISG	1.8
19 Sanderson Group	1.78
20 Wilimington Group	1.74
<b>Total (Top 20)</b>	<b>40.79</b>
<b>Other 55 Holdings</b>	<b>59.21</b>
<b>Total</b>	<b>100.00</b>

Source: Chelverton Asset Management Limited

### Market Cap Breakdown

	% of portfolio	No of stocks
> £500m	24.24	17
£250m - 500m	15.23	11
£100m - £250m	27.75	18
£75m - £100m	6.60	6
£50m - £75m	7.73	6
£25m - £50m	10.12	7
£0m - £25m	8.33	10
<b>Total</b>	<b>100</b>	<b>75</b>

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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