

Monthly Fact Sheet 31 December 2015

Launch Date	12 May 1999
Net Assets	£36.27m*
Bank Debt	£ nil m
Dividend Yield	3.73%**

	Zero Dividend Preference Shares	Ordinary Shares
Share Price (price per share)	126.75p	197.75p
NAV (price per share)	121.50p	219.16p*
Share Capital	8,500,000***	16,550,000

* includes unaudited revenue reserve to 31.12.15

**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 performance over the month was, in part, driven by the same themes that have been relevant since May. Our limited exposure to Oil&Gas, Basic Materials and Banks coupled with our size bias has been highly beneficial over the past year as small and midcaps have outperformed strongly since the election helped by the tailwind of a strong domestic economy. At the same time macro indicators were indicating an improving Eurozone. Since the turn of the year however those investors expecting a January bounce in risk asset prices have come in for a nasty shock, to put it mildly. Worries with respect to the Chinese economy and falling commodity prices have had analysts leapfrogging each other to see who can revise down their growth expectations furthest. The subsequent sell off in Global markets has taken indices down to the levels seen in September, from which they subsequently bounced. At home, this recent volatility should at least serve to move the timing of the first interest rate rise further to the right. Whilst we have been reassured by the majority of recent trading statements from our investee companies perhaps the aggregate strength of their balance sheets is more salient in the current environment.

At the stock level a number of our holdings from a range of different sectors performed well after releasing updates including Brewin Dolphin, Dairy Crest and NWF. In a relatively inefficient part of the market it is often the case in our portfolio that 'value' is realised at the time of a 'news' event which directs investors to the cash flow attractions of the underlying investment. On the downside, a number of our retail stocks fell as investors worried about the effects of the unseasonably warm weather on trading. We added two new holdings to the portfolio, XP Power which supplies power supplies was bought on a yield of 4.3% and McColl's a convenience store retailer was purchased on a yield of 7.5%. Over the past year as the domestic economy has proved to be robust an increasing number of companies that we invest in have been looking to gradually increase their investment spend. At the same time there have been the first tentative signs of an uptick in corporate activity. Our fear at the moment is that recent stock market events may send this momentum into reverse as it may undermine the confidence necessary amongst company Directors for these trends to continue.

Annual Returns % (GBP)

31/12/2015

	2015	2014	2013	2012	2011	2010
Share Price Ordinary Shares	29.36	-4.26	79.11	19.72	2.82	40.87
Share Price Morningstar Investment Trust UK Equity Income	5.09	3.98	29.87	17.40	1.60	25.43
NAV	14.79	4.82	56.75	38.35	-10.05	48.73
NAV Morningstar Investment Trust UK Equity Income	6.53	4.20	29.69	14.54	2.75	17.01

Source: Chelverton Asset Management Limited and Morningstar.

Past performance is not a guide to future results.

Dividend History

	2015-16	2014-15	2013-14	2012-13	2011-12
	p	p	p	p	p
First interim	1.700	1.575	1.475	1.40	1.35
Second interim	1.700	1.575	1.475	1.40	1.35
Third interim		1.575	1.475	1.40	1.35
Fourth interim		2.40	2.40	2.40	2.35
Subtotal	1.700	7.125	6.825	6.60	6.40



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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
Avesco Group	Media	3.24
Connect Group	Support Services	2.55
T. Clarke	Construction	2.51
The Alumase Group	Industrials	2.35
St.Ives	Support Services	2.18
Moss Bros Group	Consumer	2.16
Marston's	Consumer	2.16
Town Centre Securities	Property	2.11
Kier Group	Construction	2.10
Coral Products	Construction	2.06
GVC Holdings	Technology	2.00
Kcom Group	Telecommunications	1.99
Jarvis Securities	Financials	1.95
Games Workshop Group	Consumer	1.90
Braemar Shipping Services	Support Services	1.87
Belvoir Lettings	Property	1.85
Shoe Zone (Holdings)	Consumer	1.85
Personal Group Holdings	Financials	1.85
Acal	Industrials	1.79
Wilmington	Media	1.71
Total		42.16

Sector Breakdown

Sector	% of portfolio
Financials	21.46
Support Services	15.68
Consumer	13.73
Construction	11.86
Industrials	11.53
Media	8.63
Technology	6.23
Property	6.07
Telecommunications	1.99
Healthcare	1.43
Utility	1.39
Total	100.00

Market Cap Breakdown

	% of portfolio	No of stocks
> £500m	21.71	17
£250m - £500m	19.83	16
£100m - £250m	24.62	18
£50m - £100m	15.22	12
£0m - £50m	18.61	14
Total	100.00	77

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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