

CF CHELVERTON UK EQUITY INCOME FUND

31st August 2010

Investment Objective and Policy

The objective of the Fund is to provide a progressive income stream and achieve long-term capital growth by investing primarily in a portfolio of fully listed and AIM traded UK equities. The Fund will invest in UK companies which aim to provide a high initial dividend, progressive dividend payments and long-term capital appreciation.

Monthly Manager Commentary

The last month, traditionally a quiet one for UK market volumes, was dominated by evidence of a deteriorating macro environment both here and in the US. In particular the timing of a recovery in the building and construction industries now appears to have moved further to the right, although we remain comfortable with our exposure to this area of the economy as we are generally being paid premium yields to 'wait' for the eventual pick up in activity. Corporate profitability remains on track and in line with or ahead of expectations but it is fair to say that the scale of upgrades has slowed in recent weeks. Looking at our investible universe however it is reassuring to note that we can still find stocks that are growing earnings and dividends trading on premium yields and single figure multiples.

In the last month we have added holdings in Micro Focus a software provider on a 5.5% yield and Greggs, the high street baker on a yield of just over 4% to our fund. We have also started a position in RWS, a patent translation and search business on a yield of around 4.5%. We have sold our position in De La Rue as the ramifications of their recent production problems are still not clear and we started to realise some profits in Senior on a yield of less than 2%. There was a significant bounce in the price of F&C Asset Management as Sherborne, an activist investor started to build a stake which was then somewhat curtailed as they announced a dividend cut with their interim figures. This is the first dividend cut we have had for some time, and is we believe a 'one off.' We remain confident on the outlook for dividend growth for our fund.

Performance

	1 m	3 m	6 m	Year to date	1 yr	3 yrs
CF Chelverton UK Equity Income	0.18%	2.91%	10.96%	15.29%	20.40%	-21.91%
IMA UK Equity Income Sector Rank	7 / 105	16 / 103	1 / 102	1 / 102	2 / 101	67 / 76
Fund Quartile Ranking	1st	1st	1st	1st	1st	4th
IMA UK Equity Income Sector Average	-1.32%	1.29%	1.02%	0.22%	7.75%	-13.46%
FTSE All Share Index	-0.22%	1.72%	0.42%	0.10%	10.57%	-7.33%

Source: Lipper, NAV to NAV, Retail Inc shares, Total Return to 31/08/2010

Dividend History	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Yield*
Dividend Declared (per Retail share)	0.50p	0.75p	0.75p	1.4932p	0.60p	0.80p	-	5.95%

* Historic Rolling Yield, based on the total of the last four dividends declared divided by the price of the Retail Income Shares at month end

Top 10 Sectors	% of Portfolio
Support Services	19.51%
Construction	8.54%
Insurance	8.25%
Retailers	6.36%
Transport	5.65%
Engineering	5.64%
Food & Beverages	4.98%
Travel & Leisure	4.11%
Industrial Suppliers	3.92%
Financials	3.53%
Cash	6.49%
Total Number of Sectors	19

Top 10 Holdings	% of Portfolio	Yield
Diploma	2.34%	3.31%
Elementis	2.32%	3.18%
Melrose	2.28%	3.08%
F&C Asset Mgmt	2.26%	4.85%
Brown (N)	2.16%	4.81%
Consort Medical	2.13%	4.66%
Chesnara	2.01%	7.02%
Moneysupermarket	1.99%	4.80%
Telecom Plus	1.88%	6.08%
Braemar Seascope	1.84%	5.32%
% in Top 10 Stocks	21.22%	
Total No of Stocks		76

Launch Date

4th December 2006

Fund Size

£19.20m

Fund Managers

David Horner and David Taylor

Investment Advisor

Chelverton Asset Management Ltd

Administrator

Capita Financial Administrators Ltd

Income Paid

Quarterly

XD Dates

31st March, 30th June, 30th September, 31st December

Valuation

12 Noon, Daily

Month End Price

Shares	Income	Accum
<u>Retail</u>	60.95p	73.84p
<u>Institutional</u>	61.73p	77.63p

ISA

Eligible

Min Investment

Retail	Institutional
£1,000	£100,000

Initial Charge

Retail	Institutional
5%	0%

Annual Management Fee

Retail	Institutional
1.5%	0.75%

SEDOL

Shares	Income	Accum
<u>Retail</u>	B1FD624	B1Y9J46
<u>Institutional</u>	B1FD646	B1Y9J57

Dealing Line

0845 922 0044

Investor Contact

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springcapital

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Disclaimer: This fund invests in smaller companies and carries a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The fund can also invest in smaller companies listed on the Alternative Investment Market (AIM) which also carry the risks described above. This document is provided for information purposes only and should not be interpreted as investment advice. If you have any doubts as to the suitability of an investment, please consult your financial adviser. 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. Past performance is not a guide to future performance. This document is issued by CAM, Authorised and regulated by the Financial Services Authority. This document does not represent a recommendation by CAM to purchase shares in this Fund. We recommend private investors seek the services of a Financial Adviser. Capita Financial Managers Ltd are the Authorised Corporate Director of this fund and prospectus for the fund are obtainable directly from them. Please email enquiries@capitafinancial.com or call 0845 922 0044.