



VT Chelsea Managed Monthly Income

September 2023

VT CHELSEA
Managed
FUNDS



The Chelsea research team (L to R): Joss Murphy, Junior Research Analyst; Darius McDermott, Managing Director; Juliet Schooling, Research Director; James Yardley, Senior Research Analyst

Fund information

| | |
|-----------------------------|--|
| Launch date | 5 th June 2017 |
| Size | £49.10m |
| Number of holdings | 38 |
| Share class & ISIN | VT Chelsea Managed Monthly Income A Acc GB00BF0NMS52 |
| Share class & ISIN | VT Chelsea Managed Monthly Income A Inc GB00BF0NMT69 |
| Indicated yield | 5.70% |
| Income distribution | Monthly ^{††} |
| Initial charge | 0% |
| Ongoing charges figure | 1.17% |
| Payment dates ^{††} | Monthly, last day of the month |

Top 10 holdings

| | |
|---|-------|
| Greencoat UK Wind PLC | 4.01% |
| M&G Global Dividend | 4.00% |
| Sequoia Economic Infrastructure Income Fund Ltd | 3.99% |
| Man GLG UK Income | 3.89% |
| TB Guinness Global Equity Income | 3.88% |
| Assura PLC | 3.79% |
| Doric Nimrod Air Two | 3.75% |
| Supermarket Income REIT PLC | 3.68% |
| TB Evenlode Global Income | 3.63% |
| Target Healthcare REIT Ltd | 3.59% |

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aims to produce monthly income with some capital growth over the long term, but with lower volatility than global equities[†]. The fund has a target weighting of between 40% and 60% in UK and overseas equities, although

it may also invest in other assets including bonds, property, gold and targeted absolute return strategies. Exposure to assets will typically be via open-ended funds, investment trusts and exchange traded funds.

Fund commentary* It was a tough three months for the fund with a total return of -1.69% versus +0.55% for the IA Mixed Investment 20-60% sector.* During this period the fund increased its alternative investment trust exposure as this part of the market continued to sell-off. These trusts now offer incredible value but it has been painful in the short term. However, there may finally be light at the end of the tunnel.

As I write this in early September, the fund's holding in Round Hill Music has just been bid for at a 67% premium to the share price. This single-handedly added 1.33% to the value of the fund in one day and is not reflected in the figures quoted above or in the rest of the factsheet which only run to the end of August.

We wrote about the strength in the performance of Round Hill Music in the last factsheet and noted that despite its excellent performance it was trading on a 40% discount. For us it's been unsurprising that others have recognised the value. We think the bid for Round Hill highlights the incredible potential in the fund. The fund continues to hold exposure to music royalties via the Hipgnosis Songs trust, which is a relatively new holding, and also trades on a very wide discount.

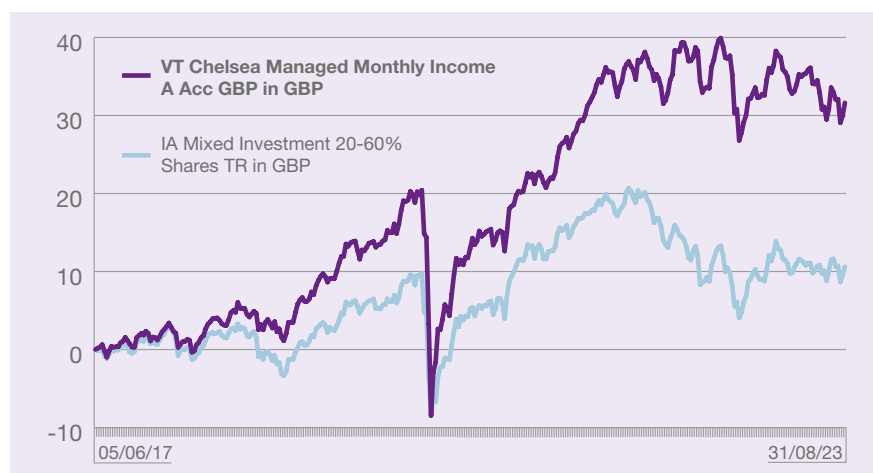
There are a number of technical factors which are forcing some investors to sell their

investment trusts holdings at the moment and this is pushing many of them to distressed levels. However, as the Round Hill bid demonstrates, there is private equity money on the sidelines which will act if things become cheap enough. Like Round Hill, many of the the fund's investment trust holdings have grown their revenues, profits and dividends and yet their share prices have continued to fall. We expect more activity in the future.

The fund's income continues to grow as dividends increase and the fund has added to higher yielding trusts, which we think offer value. We are delighted the fund has paid a final distribution of almost 3.5 times the normal monthly distribution. It is the highest distribution in the fund's history and the fund is committed to doing everything it can to continue to grow the income, whilst preserving capital in the future. The fund's estimated forward dividend yield has now risen to 5.70%.

It has been an incredibly tough period for investors but we are now seeing some positive signs. Inflation looks to have peaked, although it remains stubborn. We are seeing cracks in the UK economy and we don't think interest rates can continue to rise much further. The fund continues to be patient and add to exciting opportunities on weakness.

Performance since launch (%)**



Cumulative performance

| | 1 year | 3 years | 5 years | Since launch |
|---------------|--------|---------|---------|--------------|
| Fund (%) | -5.22 | 14.71 | 25.06 | 31.62 |
| IA Sector (%) | -0.34 | 4.74 | 7.77 | 10.63 |

Calendar year performance

| | YTD | 2022 | 2021 | 2020 | 2019 |
|---------------|-------|-------|-------|------|-------|
| Fund (%) | -0.73 | -4.02 | 13.84 | 1.96 | 17.11 |
| IA Sector (%) | 1.71 | -9.47 | 7.20 | 3.51 | 11.84 |

All data correct as at 31st August 2023.

[†]Long term is 5+ years.

^{††}Investors may receive payment later, depending upon platform.

Past performance is not a reliable guide to future returns. *FE Funds Info 31/05/2023-31/08/2023 Total Return in Sterling. **FE Funds Info 05/06/2017-31/08/2023.

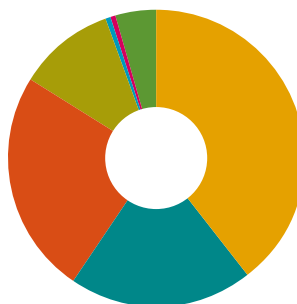
Asset allocation (%)



| | |
|--------------------------|---------|
| Equity | 30.94% |
| Fixed Interest | 30.71% |
| Targeted Absolute Return | 3.26% |
| Cash | 5.21% |
| Property | 11.49% |
| Alternatives | 18.38% |
| Gold and Silver | 0.00% |
| Total | 100.00% |

Data correct as at 31st August 2023. Figures may not add up to 100% due to rounding.

Geographical equity allocation (%)



| | |
|--------------------------|---------|
| UK | 39.61% |
| USA | 20.08% |
| Europe ex UK | 24.34% |
| Asia Pacific ex Japan | 10.55% |
| Japan | 0.46% |
| Emerging Markets ex Asia | 0.58% |
| Other | 4.38% |
| Total | 100.00% |

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All performance data is sourced from FE Fund Info. Every effort is made to ensure the accuracy of any information provided but no assurances or warranties are given. Some performance differences between the fund and the sector average may arise because the fund performance is calculated at a different valuation point from the IA Sector.

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